



HILLINGDON
LONDON



Pensions Committee

Date: TUESDAY 10 DECEMBER
2024

Time: 5.00 PM

Venue: COMMITTEE ROOM 5 -
CIVIC CENTRE

**Meeting
Details:** The public and press are welcome
to attend and observe the meeting.

For safety and accessibility, security measures will be conducted, including searches of individuals and their belongings. Attendees must also provide satisfactory proof of identity upon arrival. Refusal to comply with these requirements will result in non-admittance.

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To Members of the Committee:

Reeta Chamdal (Chair)

Kaushik Banerjee (Vice-Chair)

Stuart Mathers

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Agenda

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Pension Fund Risk Register		Item 8
Committee	Pension Committee	
Officer Reporting	Tunde Adekoya, Finance	
Papers with this report	Pension Fund Risk Register Open & Closed Risk Matrix	

HEADLINES

The purpose of this report is to identify to the Pension Committee the main risks to the Pension Fund and to enable them to monitor and review risks going forward (see appendices).

RECOMMENDATIONS

It is recommended that Pensions Committee:

- **Consider and agree the Risk Register in terms of the approach, the specific risks identified, and the measures being taken to mitigate those current risks.**
- **Note the revised format agreeing the retired risks and those which remain open**

SUPPORTING INFORMATION

Following the introduction of the Council's new risk management software, JCAD, all 14 risks are now classified into two categories, open and closed risks.

Furthermore, as noted at the September meeting, the software allows risks that are being managed as, day-to-day, business as usual items, to be retired but maintained in the background as a record. In the event the risk requires active management it can then easily be re-introduced.

Attached are two reports covering open and retired/closed risks:

Closed risks being managed as business as usual or tolerated include:

- PEN 1 - Fund assets fail to deliver returns in line with the anticipated returns underpinning the valuation
- PEN 2 - Inappropriate long-term investment strategy
- PEN 3 - Active investment manager under-performance relative to benchmark
- PEN 4 - Inflation - Pay and price inflation significantly more than anticipated
- PEN 5 - Pensioners living longer
- PEN 6 - Poor Performance of Outsourced Administrator

Classification: Public
Pensions Committee 10 December 2024

- PEN 7 - Cyber Security
- PEN 8 - ESG - Risk of financial loss through the negative impact of ESG matters
- PEN 11 - Failure of the pool in management of funds / access to funds

Risks which remain open, and which are actively being managed Include:

- PEN 9 - Liquidity on asset management - risk of failure to liquidate assets or meet drawdown calls
- Pen 10 - Liquidity on members dealings - risk that the fund is unable to settle member payments
- PEN 12 - Failure of the Fund's governance to comply with statutory requirements
- PEN 13 - Key officer risk
- PEN 14 - Failure of employers to deliver accurate and timely employee administration information

Two of the five open risks (Pen 9 & 10) have been reintroduced as open at the request of committee at the September meeting due to their importance, in view of the fund's current cashflow position. The other three remain static from the previous quarter.

The significance of risks is measured by interaction of the likelihood of occurrence (likelihood) and by the potential damage that might be caused by an occurrence (impact). The risks are also RAG rated to identify level. Scoring is included in the attached Risk Matrix.

FINANCIAL IMPLICATIONS

The financial implications are contained in the risk register attached.

LEGAL IMPLICATIONS

The legal implications are contained in the risk register attached.

Grid: Record -
View: Default
List

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Alert	Risk Ref	Risk Title and Description	Causes	Consequences	Status	Risk Owner	Review Lin	Risk Catego	Last Revie	Last Revie	Review Comments	Directorate	Current	Controlled
	PENS0001	PEN 01 - Fund assets fail to deliver returns in line with the anticipated returns underpinning valuation	Market and economic environment not conducive to asset performance. Incorrect asset allocation. Underperforming fund managers.	Reduced asset value. Reduced funding level. Increase in employer contributions.	Closed/Tolerated	James Lake		Financial				Finance Directorate	D1	D1
	PENS0002	PEN 02 - Inappropriate long-t	Incorrect asset allocation and	Increased employer contribution	Closed/Tolerated	James Lake		Financial				Finance Directorate	D1	E1
	PENS0003	PEN 03 - Active investment n	Incorrect manager decisions Incorrect market environment for their Strategy Key staff loss	Reduced investment returns vs passive strategy Lower returns / funding level Increased employer contributions	Closed/Tolerated	James Lake		Financial				Finance Directorate	D1	D1
	PENS0004	PEN 04 - Inflation - Pay and t	Global and national market/geo political environment causing higher inflation. Incorrect BoE actions to rectify	Increased pension payments / cashflow negative Reduced asset values & increased negative actuarial assumptions reduce funding level Discount rate may be higher which could improve funding level	Closed/Tolerated	James Lake		Financial				Finance Directorate	D1	E1
	PENS0005	PEN 05 - Pensioners living lor	Improvements in longevity	Pension costs exceeding forecast Reduced funding level	Closed/Tolerated	James Lake		Financial				Finance Directorate	E2	E2
	PENS0006	PEN 06 - Poor Performance o	Poor service delivery of outsource partner Poor contract management Lack of action when improvements required	Non delivery of pension payments Non compliance with pension regulations	Closed/Tolerated	James Lake		Statutory Service Provi				Finance Directorate	E2	F2
	PENS0007	PEN 7 - Cyber Security	Inappropriate cyber protectio	Loss of data Ransom demands Non delivery of statutory service	Closed/Tolerated	James Lake		IT & Technology				Finance Directorate	E1	E1
	PENS0008	PEN 8 - ESG - Risk of financial	Negative ESG influences crea	Reduced asset value Reduced funding level	Closed/Tolerated	James Lake		Financial				Finance Directorate	Not Set	Not Set
	PENS0011	PEN 11 - Failure of the pool in	Lack of interest in common fund launch Poor CIV governance Government intervention	Lack of diversity in investment Inability to meet pooling requirement Unable to meet any changing in ISS requirements	Closed/Tolerated	James Lake		Financial				Finance Directorate	D1	E1

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Alert	Risk Ref	Risk Title and Description	Causes	Consequences	Current Profile	Status	Risk Owner	Review Date	Linked Record	Risk Category	Last Review Date	Last Reviewed By	Review Comments	Directorate	Service	Risk Type	Created Date
	PEN0017	PEN 12 - Failure of the Fund's governance to comply with statutory requirements	New General COP needs gap analysis and rectification GMP moral or regulatory requirement knowledge gaps resulting in effectiveness of Committee and/or Board	Actions taken against the Fund by TRB for non code compliance Not delivering best practice in accordance with the new code TRP/DLINC action taken against the Fund for not GMP non compliance Poor decisions and/or oversight by Committee/Board members	R3	Static	Tunde Adedokun	02/03/25		Statutory Service Provision	02/12/24	Tunde Adedokun	Risk Reviewed - No Changes Required PEN 12 - Failure of the Fund's governance to comply with statutory requirements	Finance Directorate	Pensions, Treasury & Statutory Accounts	Operational	30/05/24
	PEN0016	PEN 13 - Key officer risk	Small team with specialist knowledge in each role. Limited capacity for succession planning	Non delivery of service statutory requirements Agency staff costs to cover any short absence	R3	Static	Tunde Adedokun	02/03/25		Statutory Service Provision	02/12/24	Tunde Adedokun	Risk Reviewed & Risk Score Changed (Please update Status in the Risk Information section below) PEN 13 - Key officer risk	Finance Directorate	Pensions, Treasury & Statutory Accounts	Operational	30/05/24
	PEN0015	PEN 14 - Failure of employers to deliver accurate and timely employee administration information	Poor outsourcing contract management by employers Poor performance of outsourced service providers Inadequate payroll reporting by Hillingdon Council Lack of oversight by employers	Inaccurate pension records Reporting of employees to TRB and subsequent ramifications (Fines) Incorrect pensions being paid Pensions payment not processed efficiently Additional pension administration costs	A3	Static	Tunde Adedokun	02/03/25		Statutory Service Provision	02/12/24	Tunde Adedokun	Risk Reviewed - No Changes Required PEN 14 - Failure of employers to deliver accurate and timely employee administration information	Finance Directorate	Pensions, Treasury & Statutory Accounts	Operational	30/05/24
	PEN0009	PEN 9 - Liquidity on asset management - risk of failure to liquidate assets or meet drawdown calls	Lack of notice given for drawdown calls Poor cashflow management	Unable to meet trades Financial penalties Overdraft fees	F2	Increase Risk	Tunde Adedokun	06/02/25		Financial				Finance Directorate	Pensions, Treasury & Statutory Accounts	Operational	30/05/24
	PEN0010	Pen 10 - Liquidity on members dealings - risk that the fund is unable to settle member payments	Cashflow negative (Payments greater than income) Poor cashflow management	Non payment of pensions Negative impact to pensioners Reputational damage Fines	Not Set	Increase Risk	Tunde Adedokun	06/02/25		Financial				Finance Directorate	Pensions, Treasury & Statutory Accounts	Operational	30/05/24

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GOVERNANCE

Item 9

Committee	Pensions Committee
Officer Reporting	Tunde Adekoya, Finance
Papers with report	Pension Committee Workplan General Code of Practice (GCoP) Compliance Update and Action Plan

HEADLINES

This report is to enable the Pension Committee to review the Committee workplan, note governance updates as well as approval of various triennial and interim policy updates.

RECOMMENDATIONS

That the Committee:

- 1. Note the dates for Pensions Committee meetings.**
- 2. Make suggestions for future agenda items, working practices and / or reviews.**
- 3. Note Committee's Continuous Professional Development update**
- 4. Note GCoP Update**

SUPPORTING INFORMATION

The Pension Committee workplan has been updated and is now shown as an appendix to this report.

Committee are asked to review the workplan and make suggestions for consideration and inclusion.

Future meeting dates:

26 March 2025

03 June 2025 – TBC

24 September 2025 – TBC

10 December 2025 – TBC

26 March 2026 - TBC

Training

In line with the required competencies set out by the CIPFA Knowledge and Skills Framework, Pension Committee members should have a general understanding of areas associated with their LGPS fiduciary role. Upcoming changes in legislation are expected to enforce the need for training and will make it a regulatory requirement for Pension Committee members.

Classification: Public

Pensions Committee 10 December 2024

To monitor progress against this requirement a log of member training is shown below. As a foundation requirement, Pension Committee members are asked to complete the AON CIPFA Knowledge & Skills Framework sessions.

Pensions Committee Continuous Professional Development Log 2024/25

Date	Details	Cllr Chamdal	Cllr Banerjee	Cllr Riley	Cllr Mathers	Cllr Burles
11 Jul 24	LCIV Absolute Return	1 Hour				
11 Jul 24	LAPFF ESG	1 Hour				
31 Jul 24	LCIV Fixed Interest	1 Hour				
1 Aug 24	LCIV Multi Asset	1 Hour				
22 Aug 24	LCIV Business Meeting	1 Hour				
5 & 6 Sep 24	LCIV Conference	7 Hours			10 Hours	
17 Sep 24	LCIV Property	1 Hour	1 Hour		1 Hour	1 Hour
30 Sep 24	WCC Training	3 Hour				3 Hour
26/09/2024	LCIV Business Meeting	1 Hour				
01/10/2024	LCIV Meet The Manager	1 Hour				
20/09/24	SAB Government Pension Review	1 Hour				
CIPFA Knowledge & Skills Framework 7 Modules		Completed 14 Hours	*	**	*	*

*Completed Knowledge and Skills training prior to 2024/25.

**Cllr Riley joined Pension Committee in May 2023 – training to be completed.

Knowledge & Skills Assessment

In January 2024 the members of the Pension Committee and Board were invited to complete an online knowledge assessment.

In March 2024 the results of the assessment were discussed at Pensions Committee. Members were asked to revisit AON modules where their individual scores did not meet the required level.

To date, Cllr Burles has confirmed he has revisited the relevant AON modules. Other members included in the assessment are yet to confirm.

Training Plan

The next phase in the training plan is being developed. Areas on which there will be a focus include:

Pension Regulator's General Code of Practice

Investment manager selection and monitoring

Ethnic, Diversity & Inclusion

Once presenters and material have been agreed, date options will be sent to Committee and Board members.

General Code of Practice

Classification: Public

Pensions Committee 10 December 2024

Following the introduction of the Pensions Regulator's new General Code of Practice, a gap analysis assessing the Funds compliance, against the new and extended requirements, has been completed in line with the recommended September deadline. Attached to this report is the dashboard results of the initial assessment. A second peer review has taken place, and an action plan produced. The Fund now has a further year to implement the necessary measures to reach compliance across all requirements. A programme of work will be undertaken to remedy any gaps with regular updates being brought to both Committee and Board. The Pension Board has cited reaching compliance over the next year as a key activity and one on which they will focus.

FINANCIAL IMPLICATIONS

Continued training will incur fees dependant on the platform and events attended.

LEGAL IMPLICATIONS

Where applicable the legal implications are included within the body of the report.

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London Borough of Hillingdon Pension Fund

Training Plan 2024-25



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This Training Plan for 2024-25 is based on the Training Policy agreed by Pensions Committee in December 2023.

The Training Policy requires each member of the Pensions Committee, Local Pension Board and pension fund officers to undertake no less than 2 days (14 hours) of training in each financial year which will include a combination of the delivery methods outlined below.

The annual Training Plan is based on an assessment of the current level of knowledge and understanding, together with the consideration of business which the Fund will need to consider over the coming year(s). Specific learning needs for individuals can be addressed through 1:1 or small group sessions with the Fund's officers/advisers and these can be organised separately.

Costs associated with delivering the Training Plan are included in the Fund's budget.

Members must ensure that they properly record and provide details of their attendance at events to Fund officers.

We hope that member will embrace the learning and development programme.

Induction Refreshers

The assessment of the current level of knowledge and understanding of Committee and Board members undertaken during January 2024 has shown that revisiting induction training may be helpful for some members. Pensions administration and governance/legislation are deemed to be the priority subjects. However individual members should prioritise the subject matter(s) which their personal knowledge assessment shows (the largest) gaps in knowledge.

The table below shows a timetable for:

- revisiting induction material – within the timescales, members can have flexibility how/when they review the material.
- an internal discussion session supported by officers and/or advisers to provide an opportunity to discuss the induction material, consider any Fund-specific issues and to ask questions.

Subject Matter	Timescale for revisiting induction material	Internal discussion/Q&S session – date to be confirmed
Pensions Administration & Communications	April -May 2024	TBC
Pensions legislation		
Funding and actuarial standards	Sep 2024	H2 (with preparations for 2025 actuarial valuation – see overleaf)
Procurement and contract management	Jul-Aug 2024	TBC
Investment strategy	Oct – Nov 2024	TBC
Financial products		

Reading Material

- The Fund’s Handbook (including glossary) provides an overview of how the Fund is managed. This is a newly created document and feedback from Committee and Board members is welcome.
- PLSA Made Simple Guides (<https://www.plsa.co.uk/Resources/Made-Simple-guides>) – the following may be particularly relevant:
 - o Indices and Benchmarks
 - o Cyber Risk
 - o Cost Transparency
 - o ESG
 - o Climate Indices
 - o GMP Equalisation
 - o General Data Protection Regulation
- LGPS Scheme Advisory Board website (<https://lgpsboard.org/index.php/welcome>)

In-house Sessions (generally provided by officers and/or the Fund's providers)

Comments below on old plan

Subject		H1 2024/25	H2 2024/25	Focus
Governance				
	The Pensions Regulator and Code of Practice	Y		Breaches & Reporting to TPR
	Annual report and accounts including Governance Compliance Statement		Y	Include investment cost transparency
	Risk framework	Y		
	In-depth review on specific risks		Y	Cyber. (Others may be indirectly covered in other sessions e.g. TPR code)
Funding				
	Actuarial valuation		Y	Preparation for 2025 valuation
	Benchmarking of funding - Section 13		Y	When Section 13 report available
Investment				
	Investment manager selection and monitoring	Y		Property/LCIV role
	The Fund's investment managers - London CIV, LGIM & managers with >5% - Managers with <5%	Y	Y	See LCIV market and fund updates below
	Investment cost transparency		Y	Include with annual report
	Responsible investment - General including LCIV and LGIM - LAPFF - Climate reporting		Y	

Subject	H1 2024/25	H2 2024/25	Focus
Benchmarking of investments	Y		Comparison with other LGPS funds
Pension Administration			
Regulatory requirements	Y		Covered in revisiting induction material (above)
Benefits	Y		
Communications	Y		

Revised plan/table

		2024/25		
Subject	H1	H2	Focus	
Governance				
The Pensions Regulator and Code of Practice		Y	Breaches & Reporting to TPR	
Annual report and accounts including Governance Compliance Statement		Y	Include investment cost transparency	
Risk framework				
In-depth review on specific risks		Y	Cyber. (Others may be indirectly covered in other sessions e.g. TPR code)	
Equality, Diversity & Inclusion		Y		
Funding				
Actuarial valuation		Y	Preparation for 2025 valuation	
Benchmarking of funding - Section 13		Y	When Section 13 report available	
Investment				
Investment manager selection and monitoring	Y	Y	Property/LCIV role	
The Fund's investment managers - London CIV, LGIM & managers with >5%	Y	Y	See LCIV market and fund updates below	

Subject	2024/25		Focus
	H1	H2	
- Managers with <5%			
Investment cost transparency		Y	Include with annual report
Responsible investment - General including LCIV and LGIM - LAPFF - Climate reporting		Y	
Benchmarking of investments	Y		Comparison with other LGPS funds
Pension Administration			
Regulatory requirements	Y		Covered in revisiting induction material (above)
Benefits	Y		
Communications	Y		

Approved External Sessions

The following external events are deemed to be most suitable for members' training plans but the suitability of the content for individual's learning should be considered before registering. Members may receive invitations to other events directly and attendance should be agreed with officers beforehand.

Provider	Event details	Date(s)
London CIV	Annual Conference	5 September 2024
London CIV	Investor Updates [1]	<p>Market updates (Equities, Fixed Income, Multi Asset) Q1 – 30/4, 1/5, 2/5 Q2 – 30/7, 31/7, 1/8 Q3 – 29/10, 30/10, 4/11</p> <p>LCIV Fund updates 11 April – Equity (Global Alpha) 16 May – Multi Asset Credit 10 July - Multi Asset Credit 11 July – Absolute Return 17 Sept – Equity (Value) Date TBC - Private Debt</p>
Pensions and Lifetime Savings Association	Local Government Conference https://www.plsa.co.uk/Events/Conferences/Local-Authority-Conference	11-13 June 2024 Cotswolds
DG Publishing	LGPS webinars, regularly featuring news from the Scheme Advisory Board https://lgps-live.com/	Bi-monthly (see website for details)
Local Authority Pension Fund Forum	Annual conference Mid-year seminar	December 2024, Bournemouth To be confirmed

[1] : recordings of London CIV events are generally made available.

For more **advanced learning** for Committee members, the following may be suitable:

Provider	Event details	Date(s)
London CIV	Monthly Business Updates [1]	Generally, at 10am on the last Thursday of the month
London CIV	Coffee with the CIO	Generally, 11am on Wednesdays
Pensions and Lifetime Savings Association	Investment Conference	Likely to be February 2025 in Edinburgh
DG Publishing	LGPS Pooling Symposium https://www.dgpublishing.com/lgps-pooling-symposium/	23-24 April 2024
Local Government Chronicle	Investment related conferences/seminars https://www.lgcplus.com/	Held throughout the year
Local Authority Pension Fund Forum	Quarterly Business meetings	Details available from officers

[1] recordings of London CIV events are generally made available on their client portal.

Other relevant external sessions will be added as details become available.

London Borough of Hillingdon Pension Fund
General Code of Practice Action Plan 2024/5

Project Stage	Action/task	Mar-	Apr-	May-24	Jun-24	Jul-24	Aug-24	Sep-24	Oct-24	Nov-24	Dec-24	Jan-25	Feb-25	Mar-25	Apr-25	May-25	Jun-25	Jul-25	Aug-25	Sep-25
Project Initialisation	1 Evaluate compliance checkers on the market.																			
	2 Research how other funds are tackling the their implementation of the GCOP.																			
	3 Purchase compliance checker																			
	4 Determine which of the 51 modules apply to the fund																			
Governing Body	5 PB & PC Recruitment Process In Place				Amber rated															
	6 Regular review of PC & PB membership				Amber rated	PB Fixed term														
	7 Resignation and Removal of PB members				Red Rated	Red Rated	Red Rated													
	8 Knowledge & Skills Policy covering expectations of code																			
	9 Documented Policies on appointment of advisers				Red Rated	Red Rated	Red Rated													
	10 Is above Policy approved by PC				Red Rated	Red Rated	Red Rated													
	11 Own Risks (Best Practise)																			
Administration	12 Fund Specific Cyber Policy				Red Rated	Red Rated	Red Rated	Red Rated												
	13 Specific Cyber Incident report Plan				Red Rated	Red Rated	Red Rated	Red Rated												
	14 Cyber Hygeine Guidelines (Remote working)				Red Rated	Red Rated	Red Rated	Red Rated												

	Scheduled tasks Completed
	Some requirements/actions still outstanding
	Requirements/actions overdue
	Not compliant

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TPR General code of practice

London Borough of Hillingdon Pension Fund - Scheme Assessment

Prepared for: Hillingdon Council
London Borough of Hillingdon Pension Fund Committee
London Borough of Hillingdon Local Pension Board

Prepared by: Aon
Date: 25 October 2024

Introduction






TPR Code Compliance model

This report sets out how London Borough of Hillingdon Pension Fund complies with the Pension Regulator’s (TPR) General code of practice (the Code) in relation to the management of the London Borough of Hillingdon Pension Fund which is part of the Local Government Pension Scheme (LGPS).

Note that the Code applies to governing bodies of all occupational, personal and Public Service Pension Schemes and therefore it is generic in nature. This document highlights all the key elements of the Code relevant to Public Service Pension Schemes and sets out whether Hillingdon Council is compliant in each of the Code’s modules. There may be a number of requirements relating to these elements that are specifically stipulated within LGPS legislation and it is not the purpose of this compliance model to consider that level of detail.

Key

	Compliant
	Compliant in some but not all areas
	Not currently compliant
PC	Pension Committee (or equivalent)
PB	Local Pension Board
TPR	The Pensions Regulator
LGPS	Local Government Pension Scheme
Code	TPR's General code of practice

The governing body



The governing body – at a glance



Board Structure and activities

Fully compliant in 4 out of 5 modules



1 question is red and 2 questions are amber out of 30 questions.

Knowledge and understanding requirements

Fully compliant in 2 out of 2 modules



No questions are red and no questions are amber out of 20 questions.

Essential actions

- Get PC and PB to acknowledge and read particular section of Governance Policy and confirm understanding the contents.
- Consultation with Hillingdon Council, as administering authority necessary to ascertain and understand appointment procedure of PC members to ensure compliance.
- Timetable for a periodical review of LPB membership to be established, ensuring depth of knowledge is always available to the LPB.
- Policy covering removal and resignation of PB members to be formulated and agreed. Procedures for resignation and removal from PC is covered under the Council's constitution.
- Polciy to be update wit particular reference points 9-15 from the TPR Code extract.
- Officers will consult and put together a documented polcies for making appointments of advisers and service providers
- Officers will consult and put together a documented polcies for making appointments of advisers and service providers

Advisers and service providers

Fully compliant in 0 out of 1 module



2 questions are red and no questions are amber out of 19 questions.

Risk Management

Fully compliant in 5 out of 6 modules



No questions are red and no questions are amber out of 50 questions. 1 question is unanswered.

Comments

Scheme governance

Fully compliant in 0 out of 1 module



No questions are red and 1 question is amber out of 24 questions.

The Administering Authority have selected to answer all questions within this section.

The Administering Authority have selected to include all questions when determining whether they comply with the Code within this section.

The governing body



Board structure and activities

Essential Actions

Module	Question	Action
1 Role of the governing body	4	Get PC and PB to acknowledge and read particular section of Governance Policy and confirm understanding the contents.
2 Recruitment and appointment to the governing body	2	Consultation with Hillingdon Council, as administering authority necessary to ascertain and understand appointment procedure of PC members to ensure compliance.
3 Recruitment and appointment to the governing body	3	Timetable for a periodical review of LPB membership to be established, ensuring depth of knowledge is always available to the LPB.
4 Recruitment and appointment to the governing body	6	Policy covering removal and resignation of PB members to be formulated and agreed. Procedures for resignation and removal from PC is covered under the Council's constitution.

Other Actions

Module	Question	Action
1 Role of the governing body	1	Officers will liaise with Democratic Services and provide information about requisite knowledge and skills required for PC members to be considered, when Council makes appointments onto the PC.
2 Role of the governing body	2	The Council, through responsible officers have considered appointing paid LPB members and is still in consideration going forward. In order to assuage the recruitment difficulties to the LPB, co-opting members on to the board is another option being explored.
3 Role of the governing body	3	Training records of all PC and LPB members are kept, monitored and constantly updated for inclusion the quarterly PC meeting work programme. The Knowledge and Skills assesment for both PC and LPB will be conducted annually to ensure all members are up to date in all required area of knowledge. Next assesment is scheduled for January 2025.

4	Role of the governing body	4	An induction pack for PC members will be created and sent to both existing and newly appointed PC members to ensure they are aware of their responsibilities. Acknowledgement of receipt of the induction packs will be documented for monitoring via checklist of responses to induction pack.
5	Recruitment and appointment to the governing body	1	Communication to all categories of scheme membership to be ramped up through the Council's internal system, Hampshire portal and newsletters, then cascaded down to individual employers to encourage participation in LPB and expand pool talent of prospect LPB members.
6	Recruitment and appointment to the governing body	2	Equality, Diversity and Inclusion Policy for the Pension Fund is being developed and contents will be approved by PC and will become a policy to be considered for appointment of LPB members. The Council does have an EDI policy and it will be flagged up to Democratic Services that this should be in consideration for appointments to the PC.
7	Recruitment and appointment to the governing body	3	Consideration will be given to inclusion of Maximum term of LPB membership in the recruitment policy and time table to aid forward planning.
8	Recruitment and appointment to the governing body	4	Training records of all PC and LPB members are kept, monitored and constantly updated for inclusion in the quarterly PC meeting work programme. The Knowledge and Skills assessment for both PC and LPB will be conducted annually to ensure all members are up to date in all required areas of knowledge. Next assessment is scheduled for January 2025.
9	Recruitment and appointment to the governing body	5	Substitute PC members will now be mandated to undergo the same Knowledge and Skills assessments as PC members and training provided to ensure they have adequate knowledge to perform their duties when called upon.
10	Appointment and role of the chair	3	Plans for new chair induction will be formulated and become part of the process after election/selection going forward. This will cover all expectations of the LPB chair under the GCoP.

Knowledge and understanding requirements

Essential Actions

Module	Question	Action
1 Knowledge and understanding	6	Policy to be updated with particular reference points 9-15 from the TPR Code extract.

Other Actions

Module	Question	Action
1 No Actions		

Advisers and service providers

Essential Actions

Module	Question	Action
1 Managing advisers and service providers	1	Officers will consult and put together a documented policies for making appointments of advisers and service providers
2 Managing advisers and service providers	2	Officers will consult and put together a documented policies for making appointments of advisers and service providers

Other Actions

Module	Question	Action
1 No Actions		

Risk management

Essential Actions

Module	Question	Action
1 No Actions		

Other Actions

Module	Question	Action
1 Identifying, evaluating and recording risks	5 a	To be reviewed more indepth .
2 Scheme continuity planning	1	Possibly write up a fund specific business continuity plan, incorporating those of other partners.
3 Conflicts of interest	8	TPR Criteria on Dealing with conflicts 9-21 will be checked against Fund policy to ensure compliance.

Scheme governance

Essential Actions

Module	Question	Action
--------	----------	--------

1 No Actions

Other Actions

Module

Question Action

1 No Actions



The governing body

Modules

Board structure and activities

- Role of the governing body (1)
- Recruiting and appointment to the governing body (2,6)
- *Arrangements for member-nominated trustee appointments (7)*
- Appointment and role of the chair (5)
- Meetings and decision-making (1)
- Remuneration and fee policy (4)

Knowledge & understanding requirements

- Knowledge and understanding (3,6)
- Governance of knowledge and understanding (3,6)

Value for scheme members (DC only)

- *Value for members (7)*

Notes:

The numbers next to the module names above set out Aon's interpretation of the Code for Public Service Pension Schemes. Please note it should not be taken as legal advice.

- (1) Applies
- (2) Mostly applies
- (3) Partially applies
- (4) Good practice
- (5) Mostly good practice
- (6) Partially good practice
- (7) Does not apply

Advisers and service providers

- Managing advisors and service providers (4)

Risk management

- Identifying, evaluating and recording risks (1)
- Internal controls (1)
- Assurance reports on internal controls (1)
- Scheme continuity planning (4)
- Conflicts of interest (3,6)
- Own risk assessment (4)
- *Risk management function (7)*

Scheme governance

- Systems of governance (4)





Funding and investment

Funding and investment – at a glance



Investment

Fully compliant in 3 out of 4 modules



No questions are red and 1 question is amber out of 37 questions.

Essential actions

None

Comments

The Administering Authority have selected to answer all questions within this section.

The Administering Authority have selected to include all questions when determining whether they comply with the Code within this section.

Funding and investment



Investment

Essential Actions

Module	Question	Action
1	No Actions	

Other Actions

Module	Question	Action
1	No Actions	

Funding and investment



Modules

Investment

- Investment governance (4)
- *Investment decision making* (7)
- Investment monitoring (4)
- Stewardship (6)
- Climate change (3,6)
- *Statement of investment principles* (6)*
- *Default arrangements and charge restrictions* (7)

Notes:

The numbers next to the module names above set out Aon's interpretation of the Code for Public Service Pension Schemes. Please note it should not be taken as legal advice.

- (1) Applies
- (2) Mostly applies
- (3) Partially applies
- (4) Good practice
- (5) Mostly good practice
- (6) Partially good practice
- (7) Does not apply

* Note that for the Statement of investment principles module the Code references good practice for PSPSs. However, due to the overriding legal requirement to have an Investment Strategy Statement (ISS) in place we have not included any questions on this module but have referred to the ISS within the Investment governance module.



Administration



Administration – at a glance



Scheme administration

Fully compliant in 1 out of 1 module



No questions are red and no questions are amber out of 16 questions.

Information handling

Fully compliant in 3 out of 4 modules



No questions are red and 1 question is amber out of 42 questions.

Essential actions

- Fund Specific cyber policy is under production and will be published in due course.
- Cyber training is planned for PB members as a prelude to presenting the policy being developed to them.
- Fund Specific cyber policy is under production and will be published in due course. This will be addressed in the plicy.

IT

Fully compliant in 1 out of 2 modules



3 questions are red and no questions are amber out of 17 questions.

Contributions

Fully compliant in 3 out of 3 modules



No questions are red and no questions are amber out of 13 questions.

Comments

The Administering Authority have selected to answer all questions within this section.

The Administering Authority have selected to include all questions when determining whether they comply with the Code within this section.

Administration



Scheme administration

Essential Actions

Module	Question	Action
1 No Actions		

Other Actions

Module	Question	Action
1 Planning and maintaining administration	2	Bespoke Administration issues training will be provided to all PC & LPB, in conjunction with our administration partners, Hamshire Pension Services

Information handling

Essential Actions

Module	Question	Action
1 No Actions		

Other Actions

Module	Question	Action
1 No Actions		

IT

Essential Actions

Module	Question	Action
1 Cyber controls	1	Fund Specific cyber policy is under production and will be published in due course.

2	Cyber controls	2	Cyber training is planned for PB members as a prelude to presenting the policy being developed to them.
3	Cyber controls	8	Fund Specific cyber policy is under production and will be published in due course. This will be addressed in the plicy.

Other Actions

	Module	Question	Action
1	No Actions		

Contributions

Essential Actions

	Module	Question	Action
1	No Actions		

Other Actions

	Module	Question	Action
1	No Actions		

Administration



Modules

Scheme administration

- Planning and maintaining administration (1)

Information handling

- Financial transactions (1)
- Transfers out (2)
- Record-keeping (3,6)
- Data monitoring and improvement (1)

IT

- Maintenance of IT systems (1)
- Cyber controls (2,6)

Contributions

- Receiving contributions (3)
- Monitoring contributions (1)
- Resolving overdue contributions (1)

Notes:

The numbers next to the module names above set out Aon's interpretation of the Code for Public Service Pension Schemes. Please note it should not be taken as legal advice.

- (1) Applies
- (2) Mostly applies
- (3) Partially applies
- (4) Good practice
- (5) Mostly good practice
- (6) Partially good practice
- (7) Does not apply



Communications and disclosure



Communications and disclosure – at a glance



Information to members

Fully compliant in 5 out of 5 modules



No questions are red and no questions are amber out of 22 questions.

Public information

Fully compliant in 2 out of 2 modules



No questions are red and no questions are amber out of 14 questions.

Essential actions

None

Comments

The Administering Authority have selected to answer all questions within this section.

The Administering Authority have selected to include all questions when determining whether they comply with the Code within this section.

Communication and disclosure



Information to members

Essential Actions

Module	Question	Action
1	No Actions	

Other Actions

Module	Question	Action
1	No Actions	

Public information

Essential Actions

Module	Question	Action
1	No Actions	

Other Actions

Module	Question	Action
1	No Actions	

Communication and disclosure



Modules

Information to members

- General principles for member communications (1)
- *Annual pension benefit statements (DC)* (7)
- *Summary funding and pension benefit statements (DB)* (7)
- Benefit information statements (PSPS) (1)
- Retirement risk warnings and guidance (1)
- Notification of right to cash transfer sum or contribution refund (2)
- *Chair's statement* (7)
- Scams (1)
- *Audit requirements* (7)

Public information

- Publishing scheme information (PSPS) (2,6)
- Dispute resolution procedures (2,6)

Notes:

The numbers next to the module names above set out Aon's interpretation of the Code for Public Service Pension Schemes. Please note it should not be taken as legal advice.

- (1) Applies
- (2) Mostly applies
- (3) Partially applies
- (4) Good practice
- (5) Mostly good practice
- (6) Partially good practice
- (7) Does not apply



Reporting to TPR



Reporting to TPR – at a glance



Regular reports

Fully compliant in 1 out of 1 module



No questions are red and no questions are amber out of 3 questions.

Whistleblowing- Reporting breaches of the law

Fully compliant in 4 out of 4 modules



No questions are red and no questions are amber out of 11 questions.

Essential actions

None

Comments

The Administering Authority have selected to answer all questions within this section.

The Administering Authority have selected to include all questions when determining whether they comply with the Code within this section.

Reporting to TPR



Regular reports

Essential Actions

Module	Question	Action
1	No Actions	

Other Actions

Module	Question	Action
1	No Actions	

Whistleblowing - reporting breaches of the law

Essential Actions

Module	Question	Action
1	No Actions	

Other Actions

Module	Question	Action
1	Who must report	3 Investment Mangers, Actuary, advisers and other engaged service providers will be provided with breaches of law procedure and request acknowledgements.

Reporting to TPR



Modules

Regular reports

- Registrable information and scheme returns (1)

Whistleblowing - reporting breaches of the law

- Who must report (1)
- Decision to report (1)
- How to report (1)
- Reporting payment failures (1)

Notes:

The numbers next to the module names above set out Aon's interpretation of the Code for Public Service Pension Schemes. Please note it should not be taken as legal advice.

- (1) Applies
- (2) Mostly applies
- (3) Partially applies
- (4) Good practice
- (5) Mostly good practice
- (6) Partially good practice
- (7) Does not apply



The information set out in this report is based on the expectations set out in the Code, compared to your current practice and it is not a regulatory and compliance audit. The information is based on the responses by the Administering Authority to questions set by Aon based on information contained in the Code.

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London Borough of Hillingdon Pension Fund - Pensions Committee agenda plan

	Frequency	Last review
Governance		
Business Plan & Budget	Annual	
Business Plan & Budget - Update on progress/outturn	Quarterly	
Annual Report and Accounts Draft - unaudited	Annual	
External audit plan	Annual	
External audit results report	Annual	
Internal audit - outcomes	As required	
Local Pensions Board Operating Procedures	Every 3 years	Nov-21
Local Pensions Board - Annual Report	Annual	
Compliance with Pensions Regulator Code of Practice	Annual	
Benchmarking - Investment; Admin; Funding (Section 13)	Various	
CTI	Annual	
Procurement of services	As required	
Governance Update	Quarterly	
Risk register	Quarterly	
Policies		
Governance Policy & Compliance Statement inc Governance		
Compliance Statement		Dec-23
Conflicts of Interests Policy		Mar-23
Risk Management Policy		Mar-22
Procedure for Reporting Breaches of the Law		Oct-24
Funding Strategy Statement		Mar-23
Investment Strategy Statement	At least every	Dec-23
Responsible Investment Policy	3 years	Mar-23
Training Policy		Dec-23
Pensions Administration Strategy		Mar-24
Scheme pays policy		Dec-23
Internal Disputes Resolution Procedure (IDRP) Employees Guide		Oct-22
Communications Policy		Sep-24
Discretions Policy		Jun-22
Pensions Administration		
Pensions Administration Performance	Quarterly	
Breaches, Complaints and Appeals	Annually	
Data Quality Improvement Plan??	Ad-hoc	
Funding		
Actuarial Valuation	Every 3 years	Mar-23
Investment		
Review of Investment Strategy	Every 3 years	Jun-23
Investment update and manager review	Quarterly	
Responsible Investment Update	Quarterly	
Climate Risk Dashboard (TCFD)	Every 3 years	Mar-22

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DRAFT PENSION FUND ANNUAL REPORT & EY EXTERNAL AUDIT PLAN	Item 10
----------------------------------------------------------------------	----------------

Committee	Pensions Committee
Officer Reporting	Tunde Adekoya, Finance
Papers with this report	Draft Pension Fund Annual Report 2023/24 EY External Audit Plan 2023/24

HEADLINES

The draft Pension Fund Annual Report for 2023/24 is attached to this report for Committee approval. As part of the audit process the external auditor will also verify the consistency of the Annual Report with the Annual Accounts.

The EY plan for the external audit of the Pension Fund accounts is attached for noting.

RECOMMENDATIONS

It is recommended that Pensions Committee:

- 1. Approve the 2023/24 Draft Fund Annual Report**
- 2. Note the EY External Audit Plan**

SUPPORTING INFORMATION

The Pension Fund is required to produce an Annual Report and publish by 1 December each year. The annual report includes the Pension Fund annual accounts which are normally reviewed by Pensions Committee and are to be formally approved at Audit Committee.

In 2019 CIPFA published guidance “preparing the annual report” to assist funds in producing the annual report in line with the current regulatory framework. The guidance has been adopted by MHCLG as statutory guidance.

The draft report for 2023/24 contains information on the Fund's activities over the last year. The draft report has been brought to Committee for consideration and approval to publish in December. Once the formal external of the accounts and consistency checks are complete the final version will be published.

2023/24 Pension Fund Audit

Attached to this report is the 2023/24 EY Audit Planning report for the Pension Fund. The draft Pension Fund Accounts were prepared in line with guidance issued by the Chartered Institute of Public Finance & Accountancy. The external audit of the Pension Fund began End of August, with the results and sign-off due at the February 2025 Audit Committee.

Materiality: Pension Fund planning materiality remains unchanged on a basis of 1.0% of the prior year's net assets of the fund, which for 2022/23 the materiality is estimated as £11.8m. Based on this amount, EY would expect to report on all unadjusted misstatements greater than £0.59m.

Key Financial Statement Risks: The plan highlights the key audit risks, these being the main areas on which specific audit work will focus. For 2023/24 the audit risk areas include:

- Misstatement due to fraud or error (Fraud risk)
- Valuation of level 3 (complex) Investments (Significant risk)
- Classification of level 2 and level 3 investments. (Significant risk)
- IAS 26 – Actuarial present value of promised retirement benefits (Inherent risk)

Two listed areas of audit focus are classified as having significant risks, whilst one is deemed to be a fraud risk and the fourth an Inherent risk.

Fees

The basic scale fee for the 2023/24 audit is £81,688, with additional fees of £6,500 and other fees yet to be advised.

FINANCIAL IMPLICATIONS

Included in the body of the report.

LEGAL IMPLICATIONS

Included in the body of the report.

London Borough of Hillingdon Pension Fund Annual Report 2023/24

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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. 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. The Fund's proportion of assets pooled now is about 85%, making the London Borough of Hillingdon Pension Fund one of the biggest investors within the London CIV pool.

The fund has throughout the year under review implemented most of the strategic asset review conceived after the last triennial valuation in March 2022. This includes a commitment to invest 5% of assets in a Dislocation Fund managed by Blackstone Investments, Increase allocation to Equities by 5% and reduction of Index Linked gilts allocation by 5%.

The Pension Fund is committed to being a responsible investor and in the last year signed up to the UK Stewardship Code to demonstrate our commitment to active and engaged monitoring of corporate governance in the interests of our members. We as a fund to this end actively engage our fund managers to incorporate ESG into investment processes and ensure active engagement with invested companies in key areas of Environmental, Social and Governance.

The Pension Fund launched its inaugural Responsible Investment Policy in 2020, setting out the Fund's commitment to environmental, social and governance factors as a core part of its investment decision making. This Responsible Investment policy is aligned with the Fund's Investment Strategy Statement where a brief overview on ESG and voting is included. In addition, the policy is aligned with the Fund's Funding Strategy Statement with consistency of objectives and return expectations to support the funding level.

The Fund has also reorganised its equity portfolio to reduce its carbon exposure which is a considerable long term investment risk. This has been achieved by transferring its previous active UK equity portfolio from LCIV Epoch Income Fund to the LCIV Global Alpha Paris Aligned Fund managed by Baillie Gifford, which is in alignment with the Paris Climate Agreement by screening out carbon intensive companies that do not, or will not, play a role in the transition to a low-carbon future.

We have also undertaken a review of ESG impact assessment of our portfolios by rating all engaged fund managers on set traditional criteria to determine if they meet expected minimum level rating on an overall basis. All of the Fund's current investment mandates achieve a 'partially meets criteria' rating at a minimum on an

overall basis, with a significant number that 'meets traditional criteria'. At an overall level the Fund also meets "meets traditional criteria".

I would like to thank all those involved in the governance of the London Borough of Hillingdon Pension Fund during the year during 2023/24, especially the members of the Pension Fund Committee and the Local Pension Board.

Cllr Stuart Mathers

Chairman Pensions Committee 2023/24

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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 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 2023/24 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 2023/24 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 cover 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 have to 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.

Regulations

The Local Government Pension Scheme Regulations 2013 (as amended)

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

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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

Andy Evans 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 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.

James Lake	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 2022/23, 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 - 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
UBS Global Asset Management	UK Property Fund of Funds

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 2023/24 – Clare Scott.

AON Hewitt advises and supports the Fund on governance arrangements to the Board.

Aon Hewitt
25 Marsh Street
Bristol
BS1 4AQ

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
Grosvenor House
Grosvenor Square
Southampton SO15 2BE

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

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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 member 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 figure 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:		L I K E L I H O O D	Risk rating	Score	Risk rating	Score	Risk rating	Score	Risk rating	Score	
Greater than 90%	This week		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)		
			Attributes:	IMPACT							
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.

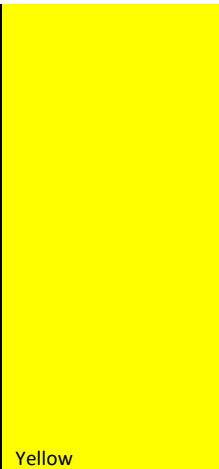
Mitigating Risk

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	<ol style="list-style-type: none"> 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	<ol style="list-style-type: none"> 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	<ol style="list-style-type: none"> 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	<ol style="list-style-type: none"> 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	<ol style="list-style-type: none"> 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	<ol style="list-style-type: none"> 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	<ol style="list-style-type: none"> 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	<ol style="list-style-type: none"> 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	<ol style="list-style-type: none"> 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	<ol style="list-style-type: none">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.	 <p>Yellow</p>
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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 30 March 2022. 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			
Legal & General Investments Management	AAF 01/20/ ISAE 3402	Reasonable Assurance	KPMG LLP
LCIV	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 Alterdomus, the fund's custodians	Reasonable Assurance	Ernst & Young LLP
UBS Asset Management	SOC 1	Reasonable Assurance	Ernst & Young 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>

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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

	2022/23	2021/22	2020/21	2019/20
Active Members	10,271	8,691	8,554	8,492
Pensioners/Dependants	7,857	7,673	7,200	6,884
Deferred	12,252	12,907	11,122	11,575
Total Membership	30,380	29,271	26,876	26,951

Membership Summary

	2023/24	2022/23	2021/22	2020/21
Active Members	9,187	10,271	8,691	8,554
Pensioners/Dependants	8,389	7,857	7,673	7,200
Deferred	14,366	12,252	12,907	11,122
Total Membership	31,942	30,380	29,271	26,876

CONTRIBUTIONS

Total Employee and Employer contributions (including transfers) into the Fund during 2023/24 amounted to £109.8m compared to £57.9m for the previous year. The 47.3% Increase from previous year is mainly attributable to the Bulk Transfers IN (£45.2m) received due to merger between HCUC & RUTC, thus increasing transfers in for 23/24 by £51.9m, coupled with employee's pay increases during the year under review. Employee contributions ranged from 5.5% to 12.5% dependent on pensionable pay. The Fund actuary sets employer contribution rates and the rates that applied during 2023/24 were set from the 2022 valuation.

Analytical Review of Performance

	2023/24	2022/23	2021/22	2020/21	2019/20
Pension Fund Account	£' 000	£' 000	£' 000	£' 000	£' 000
Dealings With Members					
Contributions	109,790	57,928	54,966	53,484	49,051
Pensions	-69,462	-56,961	-57,077	-50,752	-54,058

Net Additions/(Withdrawals) from Dealings with members	40,328	967	-2,111	2,732	-5,007
Management Expenses	-13,474	-13,844	-10,832	-10,749	-9,882
Net Investment Returns	16,225	15,752	11,858	13,667	23,101
Change In Market Value	133,360	-83,578	102,033	170,519	-86,092
Taxes On Income	-29	-28	-35	-22	-48
Net Increase/(Decrease) In Fund	176,410	-80,731	100,913	176,147	-77,928

The Key variances in members dealings were due to the following:

- Pensions Paid in 2023/24 increased by 13% due to Pension increase of 10.1% in the year under review and increase in the number of Pensioners by 500.
- The change in market value of investments was quite exponential in 23/24 due to the upturn in investments value as a result of worldwide buoyant equities market. This resulted in a swing of about £216m in change in market value from 2022/23 to 2023/24.

Analysis of Operational Expenses

	2023/24	2022/23	2021/22	2020/21	2019/20
	£' 000	£' 000	£' 000	£' 000	£' 000
Administration					
Employees	-325	-274	-384	-397	-324
Outsourced Administration Costs	-683	-779	-954	-545	-481
Support Services Charges	-158	-51	-47	-21	-20
	-1,166	-1,104	-1,385	-963	-825
Governance and Oversight					
Investment Advisory Services	-169	-53	-84	-113	-95
Governance & Compliance	-179	-5	-29	-42	-36
External Audit	-103	-50	-26	-26	-17
Actuarial Fees	-61	-184	-86	-57	-142
	-512	-292	-225	-238	-290
Investment Management					
Management Fees	-7,374	-7,158	-5,984	-4,463	-6,485
Performance Fees	-2,385	-2,267	-1,132	-2,143	-1,080
Transaction Costs	-1,991	-2,937	-2,046	-2,881	-1,143
Custodian fees	-46	-86	-60	-61	-59
	-11,796	-12,448	-9,222	-9,548	-8,767
Total Operational Expenses	-13,474	-13,844	-10,832	-10,749	-9,882

Investment Fees by Category

	Management Fees	Performance Fees	Transaction Costs
LGIM LPI	195,991.93		-8,533.64
LCIV	2,742,347.95	837,771.95	448,488.95
UBS Prop	963,298.08		520,688.67
LGIM	222,939.26		256,657.99
AEW	2,750,228.84		479,426.81
Adams Street	76,832.77	8,607.95	117.00
LGT	19,348.23	13120.26258	30,896.94
Permira	223,556.61	824,633.44	0.00
Macquarie	179,496.17	700,908.19	263,786.36
Custodian	45,608.77		
	7,419,648.61	2,385,041.80	1,991,529.08
			11,796,219.49

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

- Overall Investment management expenses decreased by £370k, year on year, as a result of transaction costs decreasing by 33% due to fewer activities by fund managers.
- Both Management and Performance Fees Increased cumulatively by £334k, but their effects on expenses were counteracted by lower transaction cost paid in 2023/24
- Increase in performance fees was mainly due to maturity profile and exits from investments by fund managers of alternative assets such as Private Debt (Permira) Infrastructure (Macquarie) and Private Equity (Both LGT and Adams Street). Thus, necessitating payment of performance fees as agreed.

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 Clare Scott 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 particular 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 taken into account 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 2023 to 31 March 2024 is as follows:

Asset Category	Opening Value 01 April 2023	Strategic Weighting	Actual Weighting	Closing Value 31 March 2024	Strategic Weighting	Actual Weighting
	£'000	%	%	£'000	%	%
Equities	562,215	46	48	725,928	51	53
Diversified Growth Fund	47,406	0	4	44,559	0	3
Bonds	222,601	24	19	229,797	19	17
Property	147,050	12	12	143,822	7	11
Alternatives:						
Private Equity	6,346	0	1	5,521	0	1
Infrastructure	57,521	8	5	66,313	8	5
Private Credit	75,907	5	6	70,979	5	5
Opportunistic Dislocation	0	0	0	19,241	5	1
Long Lease Property	47,386	5	4	46,638	5	3
Cash	16,650	0	1	8,584	0	1
Total	1,183,082	100	100	1,361,382	100	100

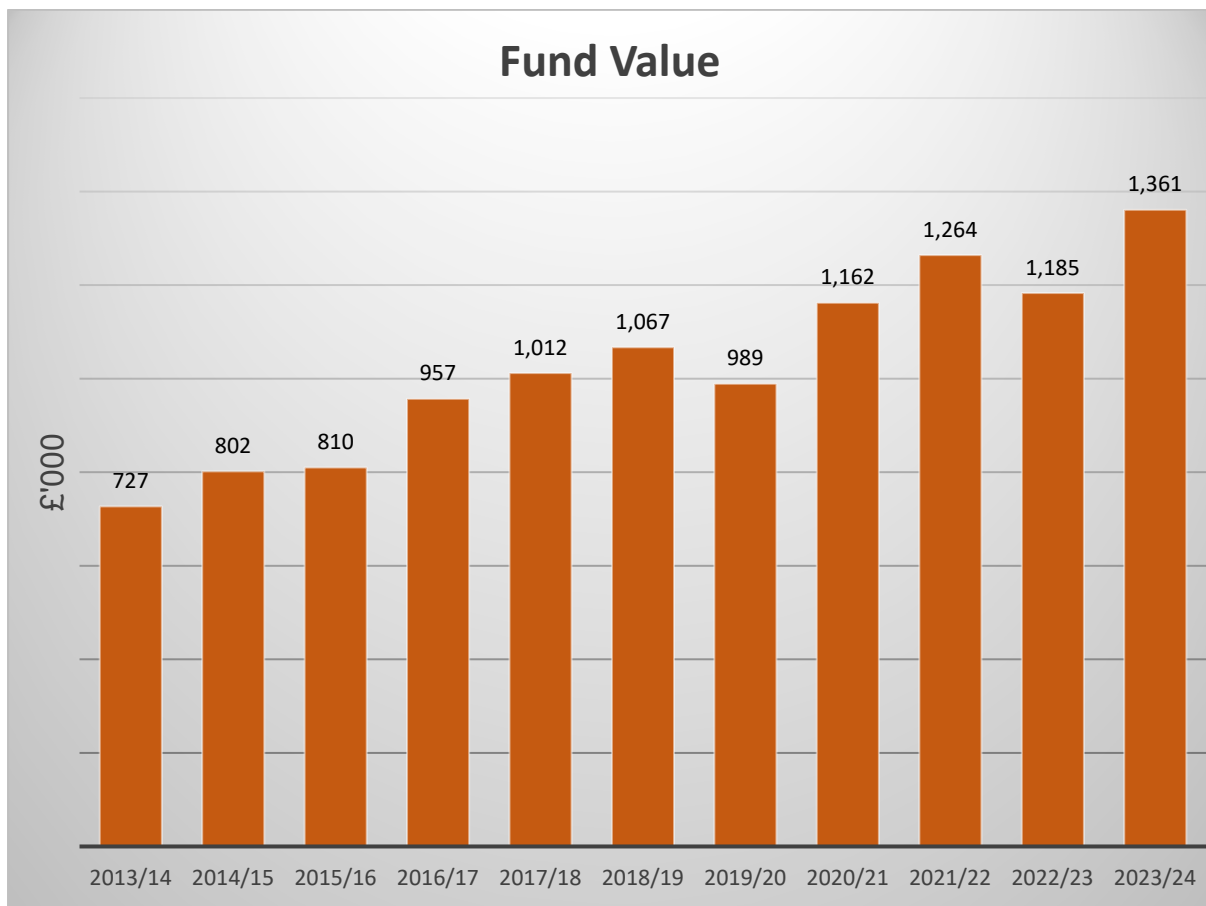
Asset Allocation Variances

The table above shows 4% variances between Property allocation actual weightings compared to its strategic allocation. This attributable to asset allocation decisions taken to reduce Property allocation by 5% and fund an increase in Equities allocation from 46% to 51%.

Strategic allocation to bonds was also reduced from 24% to 19% with the 5% reduction allocated to Opportunistic Dislocation Fund.

Fund Value

The Fund value Increased by £178m due upturn in investment market conditions witnessed during the year under review. The increase in value is mainly attributable to the 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

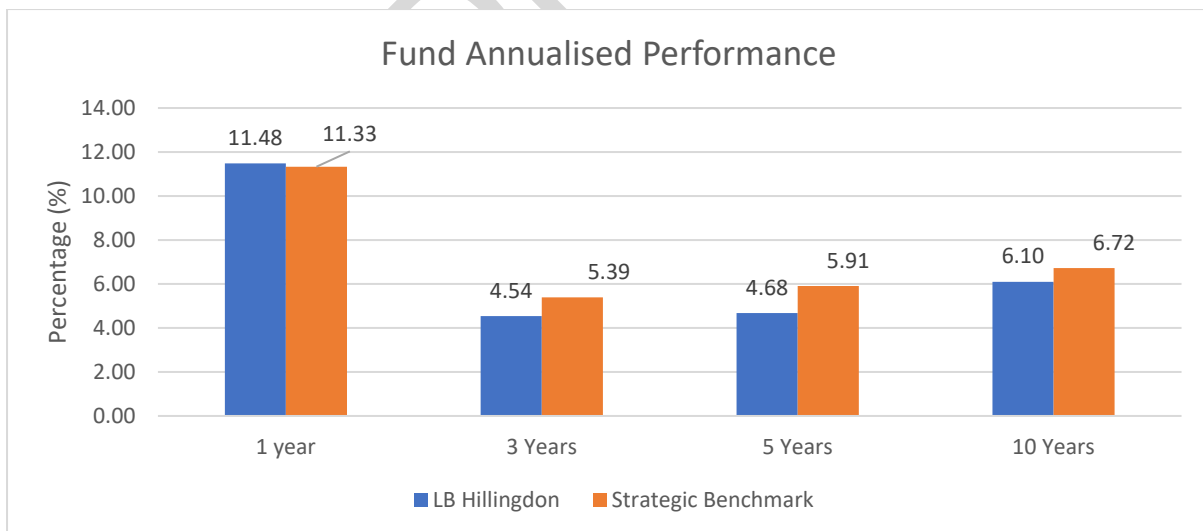
The latest Funding Strategy Statement can be accessed via the Pension Fund Web page.

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

Investment Performance

Overall absolute performance of the Fund for the year 2023/24 was 0.15% ahead of the overall benchmark. Other performance measurement intervals of three, five years and ten years, the annualised returns were behind the respective benchmarks as shown in the chart below.

The since inception relative performance was 0.16% behind the benchmark.

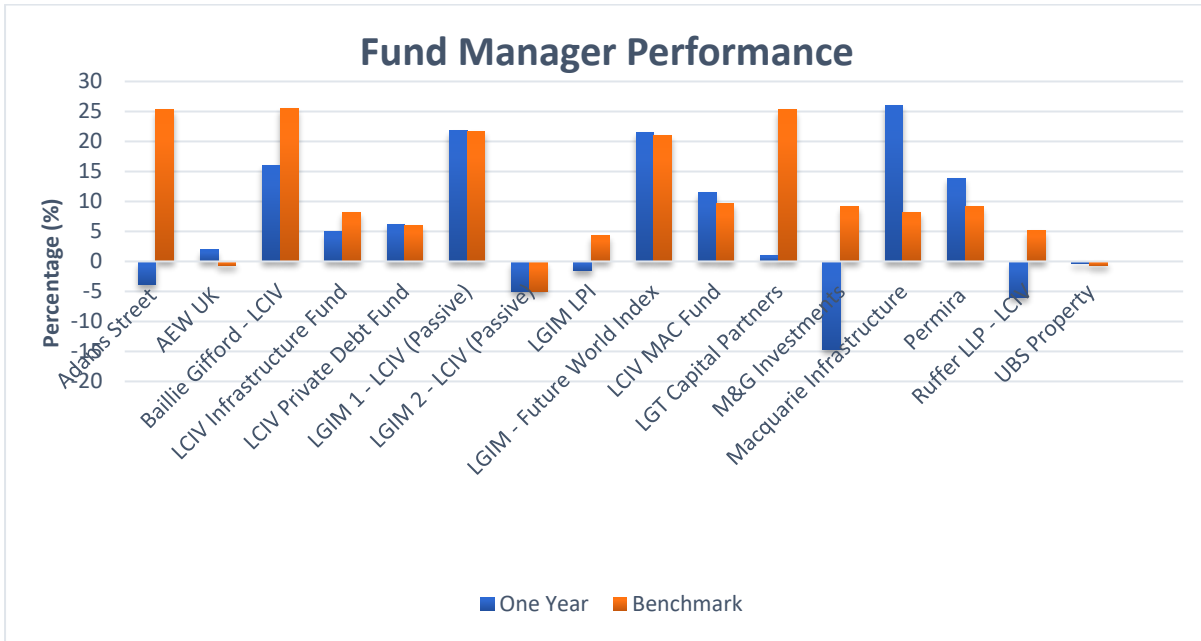


Performance of the Fund is measured against an overall strategic benchmark. Below this, each Fund Manager is given individual performance targets, which are linked to index returns for the assets they manage. Details of these targets can be found in the ISS.

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 2023/24		
	One Year	Benchmark
	%	%
Adams Street	-3.83	25.31
AEW UK	1.91	-0.70
Baillie Gifford - LCIV	15.98	25.56
LCIV Infrastructure Fund	4.99	8.12
LCIV Private Debt Fund	6.12	6.00
LGIM 1 - LCIV (Passive)	21.77	21.70
LGIM 2 - LCIV (Passive)	-5.00	-4.98
LGIM LPI	-1.58	4.30
LGIM - Future World Index	21.45	21.05
LCIV MAC Fund	11.52	9.62
LGT Capital Partners	0.96	25.31
M&G Investments	-14.62	9.12
Macquarie Infrastructure	26.03	8.12
Permira	13.87	9.12
Ruffer LLP - LCIV	-6.01	5.17
UBS Property	-0.39	-0.70

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), UBS Property
- 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 Private Equity, LGIM LPI, M&G and LCIV Bailie Gifford Global Alpha portfolios.

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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	-3.83	0.26	7.63	0.0	0.0	3 Month SONIA
AEW UK	Property	Active	No	1.91	2.74	3.98	7.0	5.0	IPD UK PPFI All
LGIM Unit Trust Equity	Equities	Passive	Yes	21.77	9.14	11.30	20.5	26.0	Balanced Funds Index FTSE World Developed Equity index Currency Hedged, FTSE World Developed Equity index unHedged, FTSE Emerging Markets
LGIM Index Linked Gilts	Bonds	Passive	Yes	-5.00	-9.88	-5.04	7.0	8.0	FTSE A Govt Index Linked Gilts All Stocks Index
LGIM Future World Global Equity	Equities	Passive	Yes	21.45	10.52	0.00	20.5	23.0	Solactive Legal & general ESG
LGIM LPI	Property	Passive	Yes	-1.58	-2.13	0.00	5.0	3.0	Retail Price Index
LCIV MAC Fund	Bonds	Active	Yes	11.52	0.00	0.00	12.0	9.0	Sonia 3 Months +4.5%pa
LGT Capital Partners	Private Equity	Active	No	0.96	5.08	7.03	0.0	0.0	3 Month SONIA
LCIV Infrastructure Fund	Infrastructure	Active	Yes	4.99	7.59	0.00	5.0	4.0	Sonia 3 Months +3%pa

LCIV Private Debt Fund	Private Debt	Active	Yes	6.12	0.00	0.00	5.0	4.0	Absolute Return 6%
LCIV Bailie Gifford M&G	Equities	Active	Yes	15.98	0.00	0.00	5.0	5.0	MSCI World ND +3%
Investments Macquarie	Private Debt	Active	No	14.62	14.68	0.75	0.0		3 Month Sonia +4%pa
Infrastructure Permira	Infrastructure	Active	No	26.03	20.9	16.87	3.0	0.0	3 Month Sonia +3%pa
LCIV Ruffer LLP	Private Debt	Active	No	13.87	8.82	7.19	0.0	1.0	3 Month Sonia +4%pa
	Diversified Growth	Active	Yes	-6.01	0.65	5.00	0.0	3.0	Sonia
Blackstone	Diversified Growth/Dislocation	Active	No	N/A	N/A	N/A	5.0	2.0	15% Net of Fees
UBS Property	Property	Active	No	-0.39	2.43	1.49	0.0	5.0	IPD UK PPFI All Balanced Funds Index

Overall, the Fund's assets performed above benchmark over 1 year but below benchmark over 3 and 5 years.

Fund Managers' Performances

Adam Street

Looking over the year the account has returned -3.83%, with an excess return of -23.26% and an information ratio of -2.16. As at 31/03/2024 the reported valuation of the portfolio was 3.73ml.

AEW UK

Over a one-year time frame the strategy has yielded 1.91%, with an excess return of 2.63% and a benchmark return of -0.69%. The market value of the portfolio reported as at 31/03/24 was 72.5ml.

LCIV Global Alpha Growth Fund

Over one year the manager has returned 15.98%, with an excess return of -7.63% and a benchmark return of 25.56%. Over the year the valuation of portfolio moved from 53.3ml to 61.9ml.

LCIV Infrastructure Fund

Over a one-year time frame the account has yielded 4.99%, with an excess return of -2.89% and an information ratio of -0.57. From inception, the portfolio has returned 4.73% and underperformed showing an excess return of -0.25%.

LCIV Mac Fund

Looking over the year the manager has yielded 11.52%, with an excess return of 1.73% and an information ratio of 0.22. From the valuations standpoint the market value reported as at 31/03/24 was 123.7ml

LCIV Private Debt

In the past year the mandate has yielded 6.12%, with an excess return of 0.11% and an information ratio of 0.02. Going back to inception, the strategy has recorded a 7.07% return and a 1.01% excess return.

LCIV Ruffer

Over the past year the account has returned -6.01%, with an excess return of -10.62% and a benchmark returns of 5.16%. During the year there were no contributions /withdrawals posted in the account.

Legal & General 1

Over the past year the manager has returned 21.77%, with an excess return of 0.06bps and an information ratio of 0.76. Going back to inception, the fund has recorded a 9.48% return and a -0.09bps excess return. The reported valuations as at 31/03/24 was 359.6ml.

Legal & General 2

The one-year return for the mandate is -5.00% and over the same time horizon the volatility as measured by standard deviation is 12.22%. The strategy has recorded a return of -1.93% since its inception. The market value of the portfolio as of the end of the quarter was £106.1M.

LGIM - Future World Equity IND

Over a one-year time frame the account has returned 21.45%, with an excess return of 0.33% and a tracking error of 0.08%. Going back to inception, the strategy has yielded 10.79% and outperformed showing an excess return of 0.17%. Over the year fund had only one major contribution in March 2024 amounting to 45.2ml.

LGIM LPI Income Property

In the past year the manager has yielded -1.58%, with an excess return of -5.64% and a benchmark return of 4.30%. From inception, the portfolio has recorded a -1.74% return and a -8.08% excess return. During the year there were no external flows reported in the account.

LGT

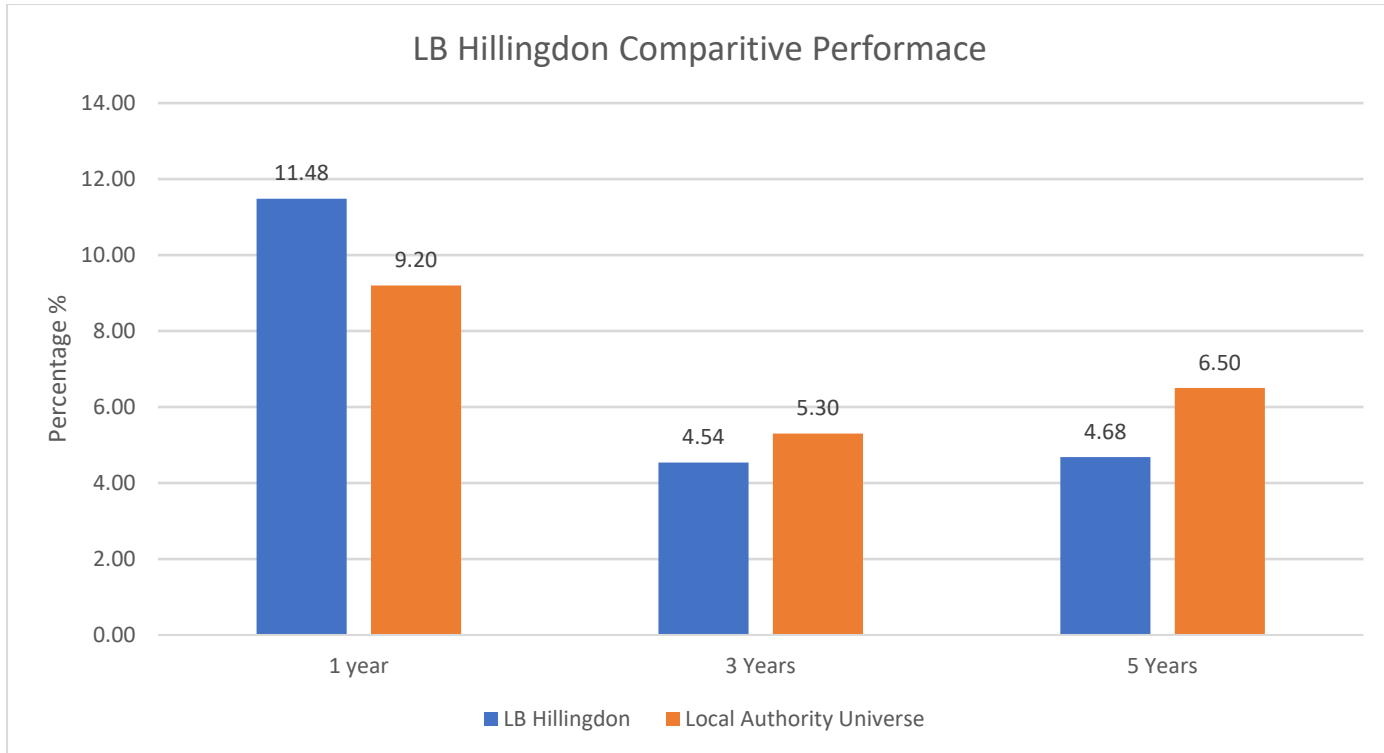
Over the past year the portfolio has returned 0.96%, with an excess return of -19.43% and an information ratio of -2.25. Since inception, the mandate has yielded 10.25%.

M&G Investments

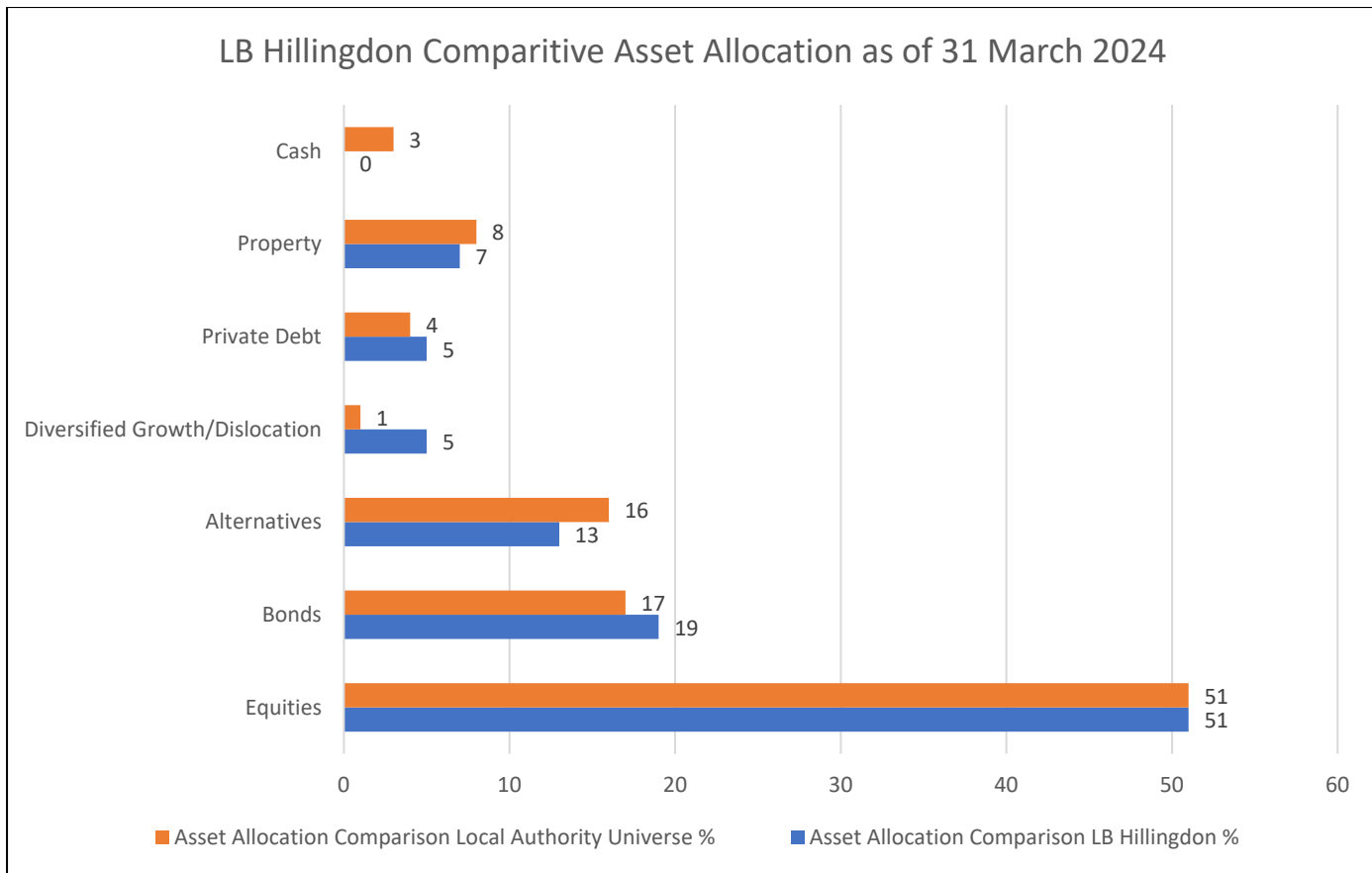
In the last one year the strategy has returned -14.62%, with an excess return of -21.75% and an information ratio of -1.83. This portfolio as at 31/03/24 holds minimal valuation amounting to 488k.

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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 with regard to 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.

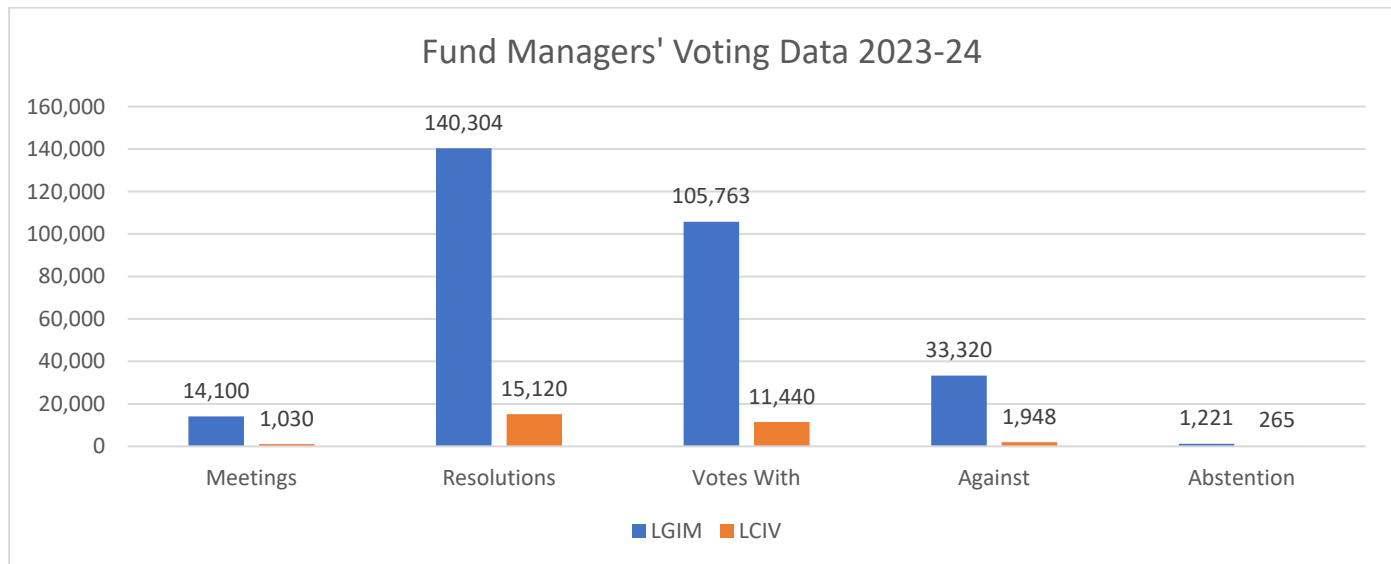
The Fund’s approach to engagement recognises the importance of working in partnership to magnify the voice and maximise the influence of investors as owners. The Fund expects its investment managers to work collaboratively with others if this will lead to greater influence and deliver improved outcomes 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.

The Fund applied for and was granted signatory status of the 2020 UK Stewardship Code on 02 September 2022. Renewal application was successful and approved by the FRC on 24 August 2023 and we are still signatories on the list as of 21/02/2024.

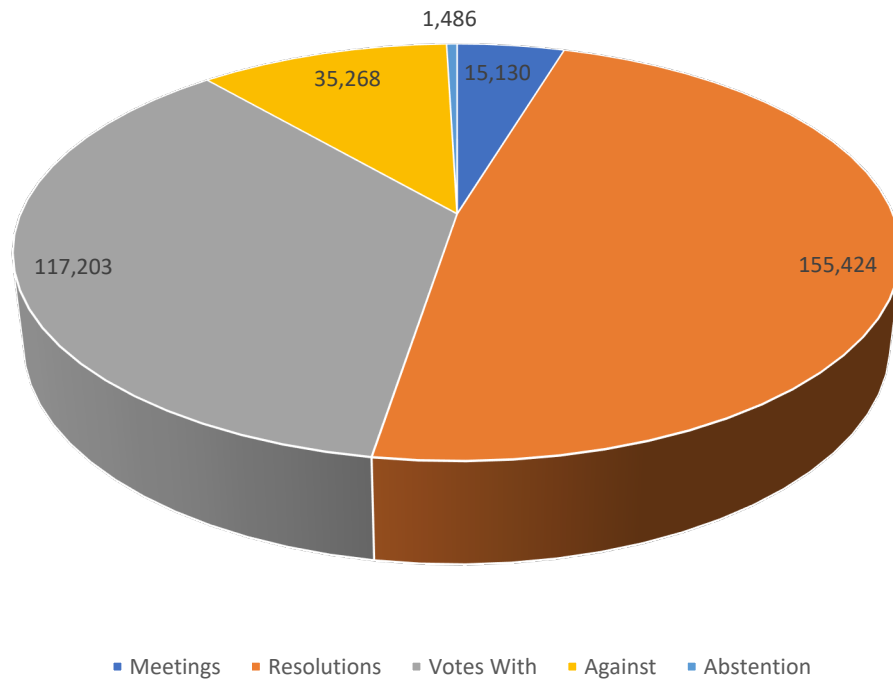
Exercise of voting rights

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 local 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 2023-24 financial year (LGIM & LCIV). LGIM were the most active in terms of voting activities by attending and voting at 15,130 meetings. All managers' voting activity relates to the managers' votes cast for the funds rather than Hillingdon specific shares.

Consolidated Voting Breakdown 2023-24



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 of 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 2024, 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 2023/24

Type of Case	Time to Complete						Total	% completed on time
	0-5 days	6-10 days	11-15 days	16-20 days	21-30 days	31-40 days		
Active Retirement	99	42	17	0	0	0	158	100%
Deferred Retirement	109	131	64	0	0	0	304	100%
Estimates	76	236	192	0	0	0	504	100%
Deferred Benefits	76	18	55	237	1426	0	1,812	100%
Transfers In & Out	7	11	4	0	0	0	22	100%
Divorce	12	4	15	0	0	0	31	100%
Refunds	13	121	90	0	0	0	224	100%
Rejoinders	27	39	56	60	0	0	182	100%
Interfunds	110	92	204	0	0	0	406	100%
Death Benefits	123	34	40	0	0	0	197	100%
GRAND TOTAL	652	728	737	297	1426	0	3,840	100%

Performance indicators for all measurable metrics Improved throughout 2023/24 due largely to the impact of the new administration provider, Hampshire Pension Services (HPS).

Below are tables of other Administration key performance indicators of activities undertaken through 2023/24.

Table A - Total number of casework

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 2023/24	Total % of cases completed in 2023/24	Total number of cases set up but not due until 2024/25	Total number of cases completed in 2022/23	Total % of cases completed in 2022/23
A1	Deaths recorded of active, deferred, pensioner and dependent	14	183	197	100%	50	185	100%
A2	New dependent member benefits	23	79	102	100%	13	116	100%
A3	Deferred member retirements	10	294	304	100%	28	299	100%
A4	Active member retirements	2	156	158	100%	4	120	100%
A5	Deferred benefits	503	1,309	1,812	100%	101	1,119	100%
A6	Transfers in (including interfunds in, club transfers)	4	158	162	100%	120	146	100%
A7	Transfers out (including interfunds out, club transfers)	16	282	298	100%	19	193	100%
A8	Refunds	52	172	224	100%	2	159	100%
A9	Divorce quotations issued	5	26	31	100%	3	28	100%
A10	Actual divorce cases	0	0	0	100%	1	0	100%
A11	Member estimates requested either by scheme member and employer	126	378	504	100%	102	603	100%
A12	New joiner notifications	0	1	2	100%	4	2,644	100%
A13	Aggregation cases	23	159	182	100%	47	150	100%
A14	Optants out received after 3 months membership	0	1	2	100%	4	33	100%
Total		778	3,198	3,978		498	5,795	

Table B - Time taken to process casework

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,	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	15 days	15 days	100%	100%
B4	Communication issued to active member with pension and lump sum	15 days	15 days	100%	100%
B5	Communication issued to deferred member with confirmation of	15 days	15 days	100%	100%
B6	Communication issued to active member with confirmation of pension	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	15 days	15 days	100%	100%
B10	Communication issued to scheme member with completion of transfer	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	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%

Ref	Engagement with online portals	Percentage as at 31
C1	% of active members registered	50.56%
C2	% of deferred member registered	37.35%
C3	% of pensioner and survivor members	42.37%
C4	% total of all scheme members registered for self-service	43.06%
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	54.91%
	Communication	
C7	Total number of telephone calls received in year	2,568
C8	Total number of email and online channel queries received	2,941
C9	Number of scheme member events held in year (total of in-person and	0
C10	Number of employer engagement events held in year (in-person and	34
C11	Number of active members who received a one-to-one (in-person and	0
C12	Number of times a communication (i.e newsletter) issued to:	
	a)Active members	3 (ABS, PSS,
	b)Deferred members	2 (ABS, newsletter)
	c)Pensioners	3 (Payslip/P60, newsletter, life

Under 30	30 - 44	45-54	55-64	65-74	75+	Total
514	2,476	2,781	4,283	2,284	799	13,137

Ref	Resources	
D1	Total number of all administration staff (FTE)	9.5
D2	Average service length of all administration staff	6 years 2 months
D3	Staff vacancy rate as %	11.20%
D4	Ratio of all administration staff to total number of scheme members (all	3,194
D5	Ratio of administration staff (excluding management) to total number of	3,793

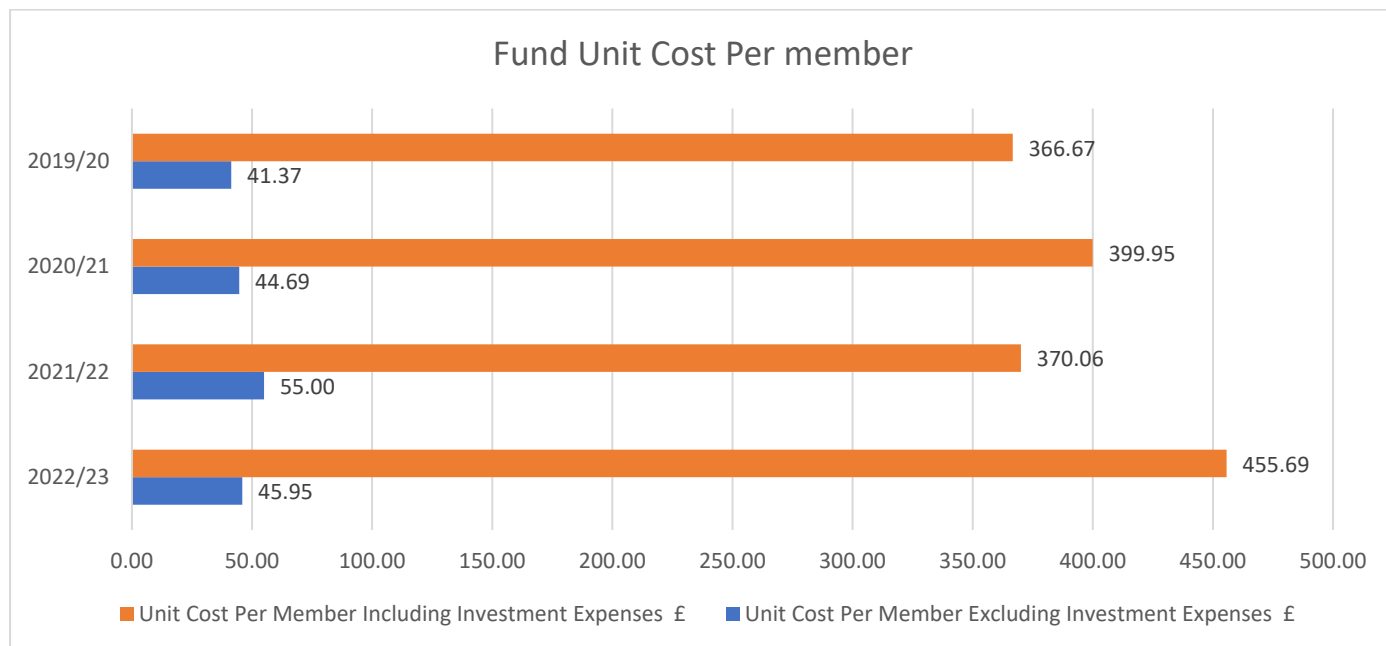
	Annual Benefit Statements	Active	Deferred
E1	Percentage of annual benefit statements issued as at 31 August	98.69%	100.00%
	Short commentary if less than 100%	164 statements outstanding at 31/8/23, 157 of which needed data from employers. 7	
	Data category		
E3	Common data score	89%	
E4	Scheme specific data score	89%	
E5	Percentage of active, deferred and pensioner members recorded as 'gone away' with no home address held, or address is known to be out	1.25%	
E6	Percentage of active, deferred and pensioner members with an email	64%	
Employer			
E7	Percentage of employers set up to make monthly data submissions	0	
E8	Percentage of employers who submitted monthly data on time during	N/A	

STAFFING COSTS ANALYSIS

The administration of the Fund is outsourced to Hampshire Pension Services, under a partnership. Agreed monthly charges are invoiced to cover the administration charges along with any added costs for software licences incurred by UPM.

2.75 FTE staff are employed by pension Fund to deal with the added internal administration of the Fund and liaise with Hampshire Pension Services on issues or concerns raised by members.

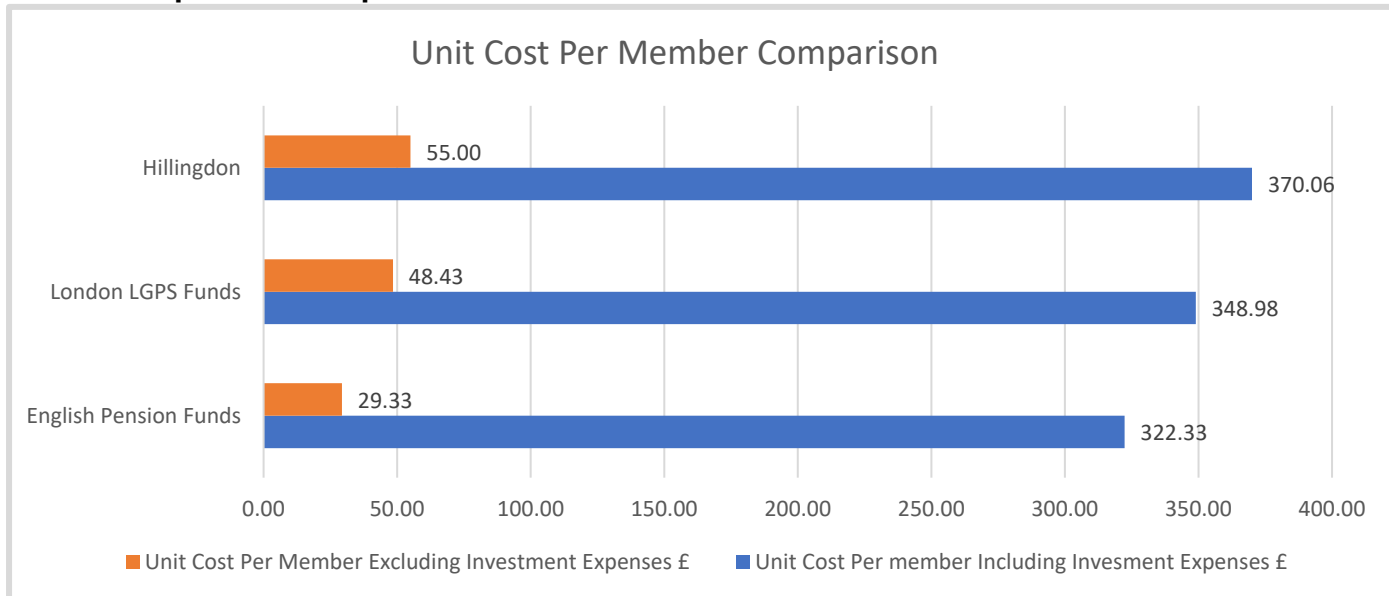
2.00 FTE staff are employed by the Fund to oversee the governance and accounting side of the Fund.



The decrease in costs per member from £55 in 2021/22 to £46 per head in 2022/23 is attributable to reduced administration costs (15%) in the period under review. The maturity profile of alternative investments resulted in increased performance fees paid to investment managers in this asset class 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. At time of publishing this report 2023/24 figures were yet to be released.

Membership costs comparison 2022/23



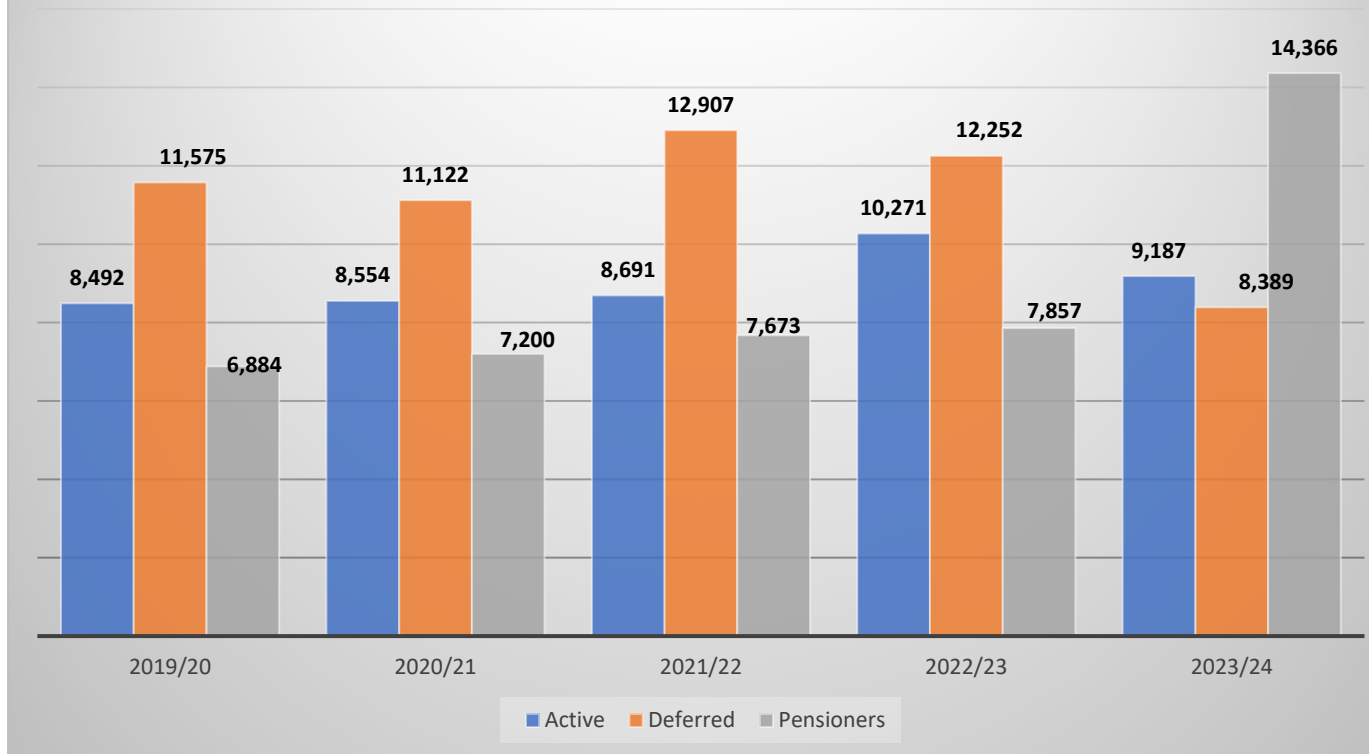
For the year 2022/23, the unit cost per member excluding investment expenses is about 22% higher than the average for Pension Funds in London Funds average at £55 per member. The cost per member including Investment management expenses is about £370 per member and comes out higher than most London Pension Funds in comparison.

*Based on comparative figures obtained from ONS SF3 available as of 31 March 2023.

MEMBERSHIP

All categories of membership changed in the year under review as a result of calculation methodology change. The most significant movement year-on-year is the increase in Pensioners membership by 6,509, as a result of the on-going processing of backlog leavers and joiners cases. The exercise also resulted in decrease of Deferred membership by 3,863 and Active membership by 1,084. Overall, scheme membership increased year-on-year by 1,562 (5%) from 30,380 to 31,942 in 2023/24. Again, this is due to the unprocessed leavers cases discovered and being processed by Hampshire. The membership profile over the last five years is shown below:

4 Year Membership Profile



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	2019/20	2020/21	2021/22	2022/23	2023/24
Ill Health Retirement	10	6	8	21	28
Redundancy	41	34	28	11	38
Total	51	40	36	32	66

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 is a list of the current active contributing employers and the contributions received for 2023/24 (Figures include early retirement and deficit funding contributions).

Employer	Type	Total Contributions	Contribution Rate %
London Borough of Hillingdon	Administering Authority	30,186,808.02	24.1
Barnhill School - ACADEMY	Scheduled Body	310,153.32	22.7
Belmore Primary School - ACADEMY	Scheduled Body	193,615.69	23.9
Bishop Ramsey C Of E School - ACADEMY	Scheduled Body	323,478.73	24
Bishopshalt School - ACADEMY	Scheduled Body	273,623.62	29
Charville Primary School	Scheduled Body	195,421.14	21.5
Coteford Academy - QED Academy Trust	Scheduled Body	193,096.72	26
Cowley St Laurence - LBDS FRAYS ACADEMY	Scheduled Body	156,644.35	23.8
Cranford Park School - Park Federation Academy	Scheduled Body	324,717.68	19.7
Douay Martyrs School - ACADEMY	Scheduled Body	405,686.36	23.5
The Eden Academy (Payroll Staff - Eden Academy Trust)	Scheduled Body	305,685.37	20
VLT - Field End Junior School	Scheduled Body	165,705.62	24.3
Grangewood School - EDEN ACADEMY	Scheduled Body	271,402.66	20
Global Academy - Heathrow	Scheduled Body	66,770.28	23.6
Guru Nanak Sikh Secondary - Guru Nanak Academy Trust	Scheduled Body	405,193.68	20.8
Harefield ACADEMY	Scheduled Body	113,224.40	22.6
Haydon Secondary School - ACADEMY	Scheduled Body	364,671.72	18.7
Heathrow Aviation (UTC) Alet	Scheduled Body	36,329.83	23.6
VLT - Hermitage Primary	Scheduled Body	157,482.22	24.3
Hillingdon Primary School - Elliot Foundation Trust	Scheduled Body	156,406.12	21.4
The Skills Hub - Orchard Hill College Academy Trust	Scheduled Body	51,102.34	27
John Locke Academy - Elliot Foundation Trust	Scheduled Body	150,186.35	20
Lake Farm Academy - Park Federation Academy	Scheduled Body	226,897.11	19.9
Laurel Lane Primary School	Scheduled Body	134,176.40	23.8
LBDS FRAYS ACADEMY BGC	Scheduled Body	53,011.88	23.8
FRAYS TRUST	Scheduled Body	750,249.43	24.1
LHC	Scheduled Body	83,065.46	26.5
MPT - Central Payroll	Scheduled Body	307,246.03	20
Moorcroft Special School - EDEN ACADEMY	Scheduled Body	48,245.75	20.8
NANAKSAR PRIMARY - Guru Nanak Academy Trust	Scheduled Body	231,786.14	23.3
Northwood Academy - QED Academy Trust	Scheduled Body	129,186.71	19.7
Park Federation - Academy (Payroll Staff)	Scheduled Body	272,729.80	20
Pentland Field School - Eden Academy	Scheduled Body	278,837.60	26.4
Pinkwell Primary School - Elliot Foundation Trust	Scheduled Body	282,208.19	20.5
Queensmead Secondary School - QED Academy Trust	Scheduled Body		

Queensmead QED - Naveen Bandari	Scheduled Body	23,543.34	20.5
Rosedale College - Rosedale Hewens Academy Trust	Scheduled Body	433,868.76	23.2
Ruislip Academy	Scheduled Body	289,059.82	24.3
Ryefield ACADEMY - Multi Academy Trust	Scheduled Body	130,461.23	24.3
St Martins Primary School	Scheduled Body	126,946.11	24.1
St Matthews Primary School - LBDS FRAYS ACADEMY	Scheduled Body	114,626.23	23.7
Park West Academy	Scheduled Body	153,294.66	18.5
Sunshine House (Eden Academy)	Scheduled Body	206,258.82	20
Swakeleys School - ACADEMY	Scheduled Body	262,853.60	19.2
HCUC	Scheduled Body	2,853,367.85	23.7
Uxbridge High School - ACADEMY	Scheduled Body	296,525.32	20.8
VLT Central Payroll	Scheduled Body	130,703.04	24.3
Vyners School - Multi Academy Trust	Scheduled Body	322,931.77	24.3
West Drayton Primary School	Scheduled Body	229,565.18	25.9
William Byrd Primary	Scheduled Body	184,369.91	26.5
Willows Special School - ACADEMY	Scheduled Body	104,068.32	29.2
Woodend Park School - Park Federation Academy	Scheduled Body	261,685.53	19.7
Pride Academy - Orchard Hill Academy College Trust	Scheduled Body	98,439.78	37.5
AIP - Uxbridge High School	Admitted Body	1,840.86	37.5
BRAYBORNE FAC - Bishop Ramsey			
BISHOP RAMSEY	Admitted Body	639.53	35.1
Caterlink - Frays Academy	Admitted Body	6,566.43	28.6
CCS HOMECARE SERVI	Admitted Body	59,900.93	30.1
Cleantec (Harlington School)	Admitted Body	6,751.53	42.3
EcoServe	Admitted Body	12,288.05	25.9
CUCINA - Bishopshalt	Admitted Body	4,834.23	27.3
E/N HERTS NHST	Admitted Body	10,613.35	36
ENERGY KIDZ LTD	Admitted Body	5,062.39	34.5
Greenwich Leisure Services	Admitted Body	41,763.95	26
Hayward Services (Ryefield)	Admitted Body	6,081.52	26.3
Hayward Services (Guru Nanak)	Admitted Body	42,374.90	31.9
Hillingdon Care Contract	Admitted Body	17,171.15	26
HEATHROW TRAVEL CARE	Admitted Body	49,530.20	18.9
HERTS CATERING LTD	Admitted Body	2,040.11	32.2
Hillingdon & Ealing Citizens Advice	Admitted Body	30,230.77	35.4
HPS Services FM Ltd	Admitted Body	18,105.02	41.7
PSD Childcare Limited	Admitted Body	1,152.24	35.9
Service Master (Clean) Belmore Academy	Admitted Body	7,597.74	33.1
Tenon FM	Admitted Body	777.65	24.4
West Drayton Primary - Pabulum	Admitted Body	10,708.30	30.6
Total		44,163,646.84	

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	45	0	45
Admitted Bodies	20	0	20
	66	0	66

DRAFT

London Borough of Hillingdon Fund (“the Fund”)

Actuarial Statement for 2023/24

This statement has been prepared in accordance with Regulation 57(1)(d) of the Local Government Pension Scheme Regulations 2013. 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:

- 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 dependents
- use a balanced investment strategy to minimize 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 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 stabilized 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 70% 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 2022. This valuation revealed that the Fund’s assets, which at 31 March 2022 were valued at £1,263 million, were sufficient to meet 88% of the liabilities (i.e. the present value of promised retirement benefits) accrued up to that date. The resulting deficit at the 2022 valuation was £167 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 2023 to 31 March 2026 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 2022 valuation report and FSS.

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 2022 valuation were as follows:

Financial assumptions	31 March 2022
Discount rate	4.1% pa
Salary increase assumption	3.2% pa
Benefit increase assumption (CPI)	2.7% pa

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 2021 model, with a 0% weighting of 2021 (and 2020) data, standard smoothing (Sk7), initial adjustment 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	22.3 years	24.8 years
Future Pensioners*	23.0 years	26.0 years

*Aged 45 at the 2022 Valuation.

Copies of the 2022 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 2022

Markets were disrupted by the ongoing war in Ukraine and inflationary pressures in 2022 and 2023, impacting on investment returns achieved by the Fund's assets. High levels of inflation in the UK (compared to recent experience), have resulted in higher-than-expected LGPS benefit increases of 10.1% in April 2023 and 6.7% in April 2024. However, asset performance has improved towards the end of 2023 and into 2024 and inflation has begun to return towards historical levels and the Bank of England's target (2% pa). There has been a significant shift in the wider economic environment since 2022, resulting in generally higher expected future investment returns and a reduction in the value placed on the Fund's liabilities. Overall, the funding position is likely to be stronger than at the previous formal valuation on 31 March 2022.

The next actuarial valuation will be carried out as of 31 March 2025. The Funding Strategy Statement will also be reviewed at that time.

Craig Alexander FFA

15 May 2024

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 2023/24 these were:



Councillor
Stuart Mathers
(Chairman)



Councillor
Tony Burles
(Vice-Chairman)



Councillor
Mohammed Shoful
Islam



Councillor
Kaushik Banerjee



Councillor
John Riley

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 Stuart Mathers	4/4
Cllr Tony Burles	4/4
Cllr Mohammed Islam	4/4
Cllr John Riley	1/4
Cllr Kaushik Banerjee	4/4

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 2023/24 were:

Employer Representatives:

Shane Woodhatch

Marie Stokes

Anna Beattie – From January 2024

Scheme Member Representatives:

Roger Hackett

Tony Noakes

Record of Attendance

Three Meetings were held in 2023/24: April 2023, July 2023, November 2023 and January 2024

Name	Meetings attended
Roger Hackett	4/4
Marie Stokes	2/4
Tony Noakes	4/4
Shane Woodhatch	2/4
Anna Beattie	1/1

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.

In January 2024 the members of the Pension Committee and Board were invited to complete an online knowledge assessment.

In March 2024 the results of the assessment were discussed at Pensions Committee. Members were asked to revisit AON modules where their individual scores did not meet the required level.

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Training Received in 2023/24

Pensions Committee Continuous Professional Development Log 2023/24

Date	Details	Cllr Mathers	Cllr Burles	Cllr Islam	**Cllr Goddard	**Cllr Riley	Cllr Banerjee
Bespoke Sessions							
13 Apr 23	AEW Property	✓	✓	✓	✓	n/a	No
2 May 23	Dislocation Fund and ISS	✓	✓	✓	✓	n/a	✓
10 May 23	LCIV Impact Investing	✓	-	-	-	-	-
12 Jul 23	LAPFF Mid-Year Conference	✓	✓	-	n/a	-	-
22 Aug 23	Pension Fund Pooling	✓	✓	✓	n/a	✓	✓
29 Nov 23	AEW & ESG	✓					
13 Dec 23	Equity Styes	✓	✓	✓	n/a	✓	✓
28 Feb 24	Baillie Gifford Investment Forum	✓					
22 Mar 24	Giffordgate - Conflicts of Interest	✓	✓	✓	n/a		✓
22 Mar 24	LCIV – Understanding Benchmarks & Performance	✓	✓	✓	n/a		✓
Mandatory Training (AON CIPFA Knowledge & Skills Framework)							
Introduction to the LGPS	*	*	*	*			*
Pension's legislation, guidance, and governance	*	*	*	*			*
Local governance and pensions procurement and contract management	*	*	*	*			✓
Funding strategy and actuarial methods, and financial, accounting and audit matters	*	*	*	*			✓
Investments – Strategy, asset allocation, pooling, performance, and risk management	*	*	*	*			✓
Investments - Financial markets and products	*	*	*	*			✓
Pensions Administration and Communications	*	*	*	*			✓

*Not applicable as completed Knowledge and Skills training prior to 2023/24 either via AON or the LGA Fundamentals course.

**Cllr Goddard left Pension Committee in May 2023

**Cllr Riley joined Pension Committee in May 2023 – training to be completed.

Pensions Board Annual Report

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 2023. At the Board meeting in January 2023, I was privileged to be elected to serve a second term as Chair of the Board during the calendar year 2023.

The Board met face-to-face for all four meetings during 2023. The Fund's administration partner, Hampshire Pension Services (HPS), also began to attend virtually in April 2023, and now present to the Board at each meeting. This is a welcome development which not only shows 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 code of Practice 14
- Assisting with the development of the Governance Plan ahead of formal updated Pensions Regulator General Code and SAB Good Governance framework
- Ongoing monitoring of cyber security issues
- Assessment of the effectiveness of the Pension Board which acted as a catalyst for the same exercise to be undertaken by the Pensions Committee
- Monitoring breaches and ensuring corrective actions were implemented
- Undertaking targeted training
- Keeping abreast of Pension Dashboard progress
- Monitoring progress against 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 has to comply and that the Board will oversee, many of which continue to roll forward from the previous year; these include:

- The Pensions Regulator's Single Code of Practice
- Good Governance Framework

- The Pensions Dashboard Programme
- The Data Improvement Programme
- Continued implementation of McCloud & GMP

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 2024.

Roger Hackett - Chair of Hillingdon Local Pension Board (2023)

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 2023 consisted of two Employer representatives, and two scheme member representatives.

Membership of the Board

Employer Representatives	Scheme/Fund Member Representatives
Marie Stokes	Roger Hackett
Shane Woodhatch	Tony Noakes

Record of Attendance

Name	Jan -23	Apr-23	Jul-23	Nov-23
Roger Hackett	Y	Y	Y	Y
Tony Noakes	Y	Y	Y	Y
Marie Stokes	N	Y	N	N
Shane Woodhatch	N	N	Y	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 2023 period.

Governance advisers AON Hewitt (Q1 2023) and Clare Scott (Q2-Q4 2023) 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.

2023 saw the second full 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 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 2023, the Board has collaborated closely with officers and the Fund remained in at 100% compliance across all Code of Practice areas.

Furthermore, the Board has been fully supportive in terms of preliminary steps taken by the Fund to ascertain where there may be gaps based on what is expected of the new General Code and Good Governance Framework. This has enabled the Fund to highlight key areas of focus and implement improvements ahead of any formal regulatory guidance being issued.

Effectiveness of the Board

During the year the Board assessed its effectiveness against SAB guidance. The process highlighted two recommendations. The first related to additional reporting on Internal Dispute Resolution Procedures (IDRP) which was subsequently implemented. The second outcome was the need to improve succession planning and Board resilience; in this regard work will be taken into 2024 to increase and strengthen Board membership.

Cyber Security & Pension Scams

The Board has continued to focus on cyber security to ensure all possible measure are in place to protect the IT infrastructure from malicious behaviour.

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
- ESG – Stewardship Code and TCFD progress

Future Work of the Board

As partly noted in the Chair's foreword, a number of key areas will to be monitored in 2024 including:

- The Pensions Regulator's General Code of Practice
- Good Governance Framework
- The Pensions Dashboard Programme
- The Data Improvement Programme
- Implementation of McCloud and GMP
- Funding Strategy and Investment Strategy implementation
- ESG issues including the UK Stewardship Code and TCFD reporting
- 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.

A Conflicts of Interest Policy was also introduced following the TPR CoP review which provides guidance to the Board on how to identify and manage conflicts of interest. 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 McCloud Judgement; Goodwin Judgement; GMP reconciliation and Pensions Dashboard and potentially a new iteration of the Exit Cap.

In addition, the framework under which the Fund will need to operate is also expected to change with the new General Code of Practice and Good Governance implementation when it is issued.

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	Roger Hackett	Tony Noakes	Shane Woodhatch	Marie Stokes
The Pensions Regulator Public Sector Toolkit	On-demand	*	*	*	*
AON CIPFA Knowledge & Skills Areas of Training (7 Modules)	On-demand	*	*	*	Y
LCIV TCFD	19 Jan 23	Y			
LGIM Equity & Long Lease Property	19 Jan 23	Y			
Investment Strategy Construction	8 Mar 23			Y	
Hymans Robertson Managing Risk in LGPS (Part 1)	23 May 23	Y			
Hymans Robertson Managing Risk in LGPS (Part 2)	22 June 23	Y			
Sackers Quarterly Legal Update	13 July 23	Y			
Hymans Robertson LGPS Next Steps o Investment	14 Sep 23	Y			
Pensions Dashboard Programme Introduction to Pensions Dashboards	4 Oct 23	Y			

Hymans Robertson Managing Risk In the LGPS- Longevity	5 Oct 23	Y			
LCIV – Equity Styles	13 Dec 23	Y	Y		
Hours		10	1	2	14

*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 2024 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 January 2024 the Board will undertake a knowledge assessment which will form part of the Training Plan which is to be developed in Q1 2024. 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 2023

Meetings	Specific topics
18 January 2023	<ul style="list-style-type: none"> • Board appointment matters • Pension Administration & Performance • Training Update Report • Draft LPB Annual Report • Cyber Update & Review • Governance • Review of Pension Committee Reports
16 April 2023	<ul style="list-style-type: none"> • Pension Administration & Performance • Communications Strategy Review • Review Effectiveness of the Board • Training Update Report • Governance • Review of Pension Committee Reports
19 July 2023	<ul style="list-style-type: none"> • Pension Administration & Performance • General Code & Good Governance Review • Training Update Report • Governance • Review of Pension Committee Reports
8 November 2023	<ul style="list-style-type: none"> • Pension Administration & Performance • Training Update Report • Governance • Admission Strategy Review • Review of Pension Committee Reports

The 2024 future workplan of the Board is set out below.

Meetings	Specific topics
24 January 2024	<ul style="list-style-type: none"> • Board appointment matters • Review and update of Pension Board Operating Procedures • Pension Administration & Performance • Training Update Report • Draft LPB Annual Report • Governance including Code of Practice • Cyber Update • Workplan • Review of Pension Committee Reports
8 May 2024	<ul style="list-style-type: none"> • Pension Administration & Performance • Training Update Report • Governance • Workplan • Review of Pension Committee Reports
17 July 2024	<ul style="list-style-type: none"> • Pension Administration & Performance • Training Update Report • General Code & Good Governance Update • Governance including Code of Practice • Workplan • Review of Pension Committee Reports
6 November 2024	<ul style="list-style-type: none"> • Pension Administration & Performance • Training Update Report • Governance • Workplan • Review of Pension Committee Reports

9 Expenses

The Board incurred expenses of £134 in relation to its operations in 2023. (This does not include the standard governance support fees)

Governance Compliance Statement

This statement shows how London Borough of Hillingdon as the administering authority of the London Borough of Hillingdon Pension Fund complies with guidance on the governance of the Local Government Pension Scheme (LGPS) issued by the Secretary of State for Communities and Local Government in accordance with the Local Government Pension Scheme (Administration) Regulations 2008.

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 review all decisions taken by the Committee.

Best Practice	Compliant or not?	Explanatory Note
<p>b. 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.</p>	N/A	
<p>C. SELECTION AND ROLE OF LAY MEMBERS</p>		
<p>a. 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.</p>	Fully compliant	
<p>b. 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.</p>	Fully compliant	
<p>D. VOTING</p>		
<p>a. 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 includes the justification for not extending voting rights to co-opted members or other groups represented on main LGPS committees.</p>	Fully Compliant	
<p>E. TRAINING / FACILITY TIME / EXPENSES</p>		
<p>a. 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.</p>	Fully compliant	
<p>b. 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.</p>	Fully Compliant	

<p>c. That the administering authority considers the adoption of annual training plans for committee members and maintains a log of all such training undertaken.</p>	<p>Compliant</p>	<p>Following a needs assessment and workplan a training plan is developed. A training log is maintained.</p>
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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 2022/23 ('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 2024 and its income and expenditure for the year then ended.

Andy Evans
CORPORATE DIRECTOR OF FINANCE
XX XX 2024

Pension Committee Certificate for the Approval of the Pension Fund Accounts

I confirm that the draft Pension Fund accounts were considered by Pensions Committee at meetings held on **08-06-2024**.

I confirm that this Annual Report was considered and approved for publications by Pensions Committee at the meeting held on 08 November 2024.

Cllr Stuart Mathers

On behalf of London Borough of Hillingdon Pension Fund
CHAIRMAN (PENSION COMMITTEE)

08 November 2024

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Pension Fund Account

PENSION FUND ACCOUNT

	Note	31 March 2024 £'000	31 March 2023 £'000
Contributions	4	58,148	53,386
Transfers In from other pension funds	5	51,642	4,542
		109,790	57,928
Less: Benefits	6	(60,556)	(51,409)
Less: Payments to and on account of leavers	7	(8,906)	(5,552)
		(69,462)	(56,961)
Net additions/(withdrawals) from dealings with members		40,328	967
Less: Management expenses	8	(13,474)	(13,844)
Net additions/(withdrawals) including fund management expenses		26,854	(12,877)
Return on investments			
Investment income	9	16,225	15,752
Profit and losses on disposal of investments and changes in market value of investments	10A		(83,450)
Taxes On Income		(29)	(28)
Net return on investments		149,556	(67,726)
Net Increase/(Decrease) in the Net Assets at start of year		176,410	(80,603)
Net Assets at end of year		1,185,512	1,266,115
		1,361,922	1,185,512

Pension Fund Account

	Note	31 March 2024 £'000	31 March 2023 £'000
Investment Assets	10	1,361,382	1,183,082
Investment Liabilities	10	0	0
Total net investments		1,361,382	1,183,082
Current Assets	11	994	3,180
Current Liabilities	12	(454)	(750)
Net assets of the fund available to fund benefits at the end of the reporting period		1,361,922	1,185,512

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.

Andy Evans
Corporate Director of Finance
28 June 2024

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.

Notes to the Pension Fund Account

- 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:

Culinera– Uxbridge High school
CCS Homecare Service
Caterlink - Frays Academy
Cucina – Bishopshalt
East & North Herts NHS Trust
Ecoserve
Energy Kidz Ltd
Greenwich Leisure
Cleantec - Harlington School Cleaners

Hayward Services

- Guru Nanak School
- Ryefield School

Heathrow Travel Care
Herts Catering Limited
Hillingdon & Ealing Citizens Advice
Hillingdon Care Contract
HPS Services FM Limited
Pabulum - West Drayton Academy
PSD Childcare Limited
Service Master – Belmore Academy
Tenon FM

Scheduled Bodies:

Barnhill Academy

Notes to the Pension Fund Account

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

LBDS Frays Academy Trust

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

London Housing Consortium

Orchard Hill College Academy Trust

- Pride Academy
- Skills HUB

Park Federation Trust

- Park Academy West London
- Lake Farm Park Federation

QED Academy Trust

- Wood End Academy
- West Drayton Academy
- Coteford Junior Academy

Notes to the Pension Fund Account

- Queensmead Academy
- Northwood Academy

Rosedale Hewens Academy Trust

- Rosedale College
- Brookside Primary School

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 2024	31 March 2023
Number of employers with active members	66	70
Number of employees in scheme		
London Borough of Hillingdon	5,639	6,569
Other employers	3,543	3,702
Total	9,182	10,271
Number of Pensioners		
London Borough of Hillingdon	7,048	6,970
Other employers	1,341	887
Total	8,389	7,857
Deferred Pensioners		
London Borough of Hillingdon	9,746	8,780
Other employers	4,625	3,472
Total	14,371	12,252

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.

Notes to the Pension Fund Account

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 2024. 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.

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 2023-24) and governance is overseen by the Pensions Board (Three meetings in 2023-24). Pensions Committee and Pensions Board consisted of the following members in 2023/24:

Pensions Committee

Cllr Stuart Mathers (Chairman)
Cllr Tony Burles (Vice-Chairman)
Cllr Mohammed Shofiul Islam

Cllr Kaushik Banerjee
Cllr John Riley

Pensions Board

Roger Hackett (Scheme Member Representative) Shane Woodhatch (Employer Representative)
Tony Noakes (Scheme Member Representative) Marie Stokes (Employer Representative)
Anna Beattie (Employer Representative) from 08 November 2023

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 2023/24, 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 2024.

The accounts do not take into account obligations to pay benefits and pensions that fall due after the reporting date (31 March 2024). 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 2023/24, no such fees are based on estimates (2022/23: No such Fees were 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.

Notes to the Pension Fund Account

- 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.
- 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 2024 was £244,700k (£245,448K on 31 March 2023).
- m. Assumptions made about the future and other major sources of estimation uncertainty - The Pension Fund accounts contains estimated figures that are based on assumptions made by the Fund about the future or events that are otherwise uncertain. Estimates are made taking into account 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 £5,521k. 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 2022. 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 £66,314k. 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	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 £460k. 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 £69,221k. 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 & UBS Property	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 £105,997k. 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 2024 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 2024 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 2024	Approximate % increase to liabilities	Approximate monetary amount (£m)
0.1% p.a increase in the Discount Rate	2%	26
1 year increase in member life expectancy	4%	59
0.1% p.a. increase in the Salary Increase Rate	0%	1
0.1% p.a. increase in the Pension Increase Rate (CPI)	2%	25

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 3-5%.

4. CONTRIBUTIONS

By category	31 March 2024 £'000	31 March 2023 £'000
Employees	12,506	12,262
Employers Contributions:		
Normal	38,867	34,920
Deficit Funding	6,775	6,204
	58,148	53,386

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 2024 £'000	31 March 2023 £'000
LB Hillingdon	39,847	37,628
Scheduled Bodies	17,874	15,222
Admitted Bodies	427	536
	58,148	53,386

Notes to the Pension Fund Account

5. TRANSFERS IN

	31 March 2024 £'000	31 March 2023 £'000
Individual transfers in from other schemes	6,401	4,542
Bulk Transfers In*	45,241	0
	51,642	4,542

*Refer to Note 21 for details on Bulk Transfer In.

6. BENEFITS

By category	31 March 2024 £'000	31 March 2023 £'000
Pensions	(49,125)	(42,970)
Commutations and Lump Sum Retirement Benefits	(10,191)	(7,234)
Lump Sum Death Benefits	(1,240)	(1,205)
	(60,556)	(51,409)

By authority	31 March 2024 £'000	31 March 2023 £'000
LB Hillingdon	(54,265)	(46,184)
Scheduled Bodies	(5,499)	(4,802)
Admitted Bodies	(792)	(423)
	(60,556)	(51,409)

7. PAYMENTS TO AND ON ACCOUNT OF LEAVERS

	31 March 2024 £'000	31 March 2023 £'000
Refunds to members leaving service	(172)	(205)
Individual transfers out to other schemes	(8,734)	(5,347)
	(8,906)	(5,552)

8. MANAGEMENT EXPENSES

The administering authority incurred costs in managing the Fund for the period ending 31 March 2024 as follows:

	31 March 2024 £'000	31 March 2023 £'000
Administrative Costs	(1,166)	(1,104)
Investment Management Expenses	(11,796)	(12,448)
Oversight and Governance	(512)	(292)
	(13,474)	(13,844)

Notes to the Pension Fund Account

8A. INVESTMENT MANAGEMENT EXPENSES BREAKDOWN

2023/2024	£'000	£'000	£'000	£'000
	Total	Management Expenses	Performance Fees	Transaction Costs
Equities	0	0	0	0
Pooled Investments	(6,670)	(3,610)	(2,363)	(697)
Pooled Property Investments	(4,977)	(3,714)	0	(1,263)
Private Equity	(149)	(96)	(22)	(31)
	(11,796)	(7,420)	(2,385)	(1,991)
Custody Fees/Investment Advice	(46)			
Total	(11,842)			

2022/2023	£'000	£'000	£'000	£'000
	Total	Management Expenses	Performance Fees	Transaction Costs
Equities	0	0	0	0
Pooled Investments	(7,399)	(3,740)	(2,260)	(1,399)
Pooled Property Investments	(4,904)	(3,332)	(42)	(1,530)
Private Equity	(59)	(86)	35	(8)
	(12,362)	(7,158)	(2,267)	(2,937)
Custody Fees/Investment Advice	(86)			
Total	(12,448)			

8B. EXTERNAL AUDIT COSTS

	31 March 2024 £'000	31 March 2023 £'000
Payable in Respect of External Audit	(103)	(49)
	(103)	(49)

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

Notes to the Pension Fund Account

9. INVESTMENT INCOME

	31 March 2024 £'000	31 March 2023 £'000
Income from Equities	0	70
Pooled Property Investments	6,152	3,071
Pooled Investments- Unit trusts and other managed funds	9,222	12,299
Interest on cash deposits	851	172
Other (for example from stock lending or underwriting)	0	140
	16,225	15,752

10. INVESTMENTS

	31 March 2024 £'000	31 March 2023 £'000
Investment Assets		
Equities	29	29
Pooled investments	1,156,809	965,621
Pooled property investments	190,438	194,436
Private equity	5,521	6,346
Other Investment balances		
Cash deposits	8,316	16,510
Investment income due	269	140
Total investment assets	1,361,382	1,183,082
Net investment assets	1,361,382	1,183,082

Notes to the Pension Fund Account

10A. RECONCILIATION OF MOVEMENTS IN INVESTMENTS AND DERIVATIVES

2023/24	Value 1 April 2023 £'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 2024 £'000
Equities	29	0	0	0	29
Pooled Investments	965,621	85,309	(21,164)	127,043	1,156,809
Pooled Property Investments	194,436	1,592	(1,133)	(4,457)	190,438
Private Equity	6,346	46	(1,108)	238	5,521
	1,166,432	86,946	(23,405)	122,824	1,352,797
Other investment balances	1,166,432	86,946	(23,405)	122,824	1,352,797
Cash Deposits	16,510				8,316
Investment Income Due	140			10,536	269
Total Investment Assets	1,183,082			133,360	1,361,382
2022/23	Value 1 April 2022 £'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 2023 £'000
Equities	29	0	0	0	29
Pooled Investments	1,011,872	170,302	(159,358)	(57,195)	965,621
Pooled Property Investments	231,826	1,364	(1,808)	(36,946)	194,436
Private Equity	8,545	76	(1,804)	(471)	6,346
	1,252,272	171,742	(162,970)	(94,612)	1,166,432
Other investment balances	1,252,272	171,742	(162,970)	(94,612)	1,166,432
Cash Deposits	11,821				16,510
Investment Income Due	107				140
Adjustments to Market Value Chan	0			11,162	0
Total Investment Assets	1,264,200			(83,450)	1,183,082

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Notes to the Pension Fund Account

10B. ANALYSIS OF INVESTMENTS

	31 March 2024 £'000	31 March 2023 £'000
Equities		
UK		
Quoted	29	29
	29	29
Pooled funds - additional analysis		
Fixed income unit trust	229,796	222,601
Diversified Growth Funds	63,800	47,406
Infrastructure Funds	66,313	57,524
Global Equity	725,899	562,183
Limited liability partnerships	71,001	75,907
	1,156,809	965,621
Other Investments		
Pooled property Investments	190,438	194,436
Private equity	5,521	6,346
	195,959	200,782
Cash deposits	8,316	16,510
Investment income due	269	140
	8,585	16,650
Total investment assets	1,361,382	1,183,082
Net investment assets	1,361,382	1,183,082

10C. INVESTMENTS ANALYSED BY FUND MANAGER

Fund Manager	Market Value		Market Value	
	31 March 2024 £'000	%	31 March 2023 £'000	%
Investments Managed by London CIV Pool				
Legal & General Investment Management	816,668	60	667,751	57
London CIV Asset Pool	337,193	25	300,566	25
	1,153,861	85	968,317	82
Investments Managed Outside of				
Adams Street Partners	3,713	0	4,282	1
AEW UK	72,517	5	71,848	6
Blackstone Investments	19,241	1	0	0
LGT Capital Partners	1,809	0	2,064	0
M&G Investments	460	0	682	0
Macquarie Infrastructure	15,124	1	16,901	1
Permira Credit Solutions	14,739	1	27,042	2
UBS Global Asset Management (Equity)	56	0	97	0
UBS Global Asset Management (Property)	74,891	6	77,772	7
Other*	4,971	0	14,077	1
	207,521	15	214,765	18
Total	1,361,382	100	1,183,082	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, the value of quoted equities on loan was £29k (31 March 2023: £29k). These equities continue to be recognised in the Fund's financial statements.

Counterparty risk is managed through holding collateral at the Fund's custodian bank. At the year-end the Fund held collateral (via the custodian) at fair value of £31k (31 March 2023: £31k) representing 106% of stock lent. Collateral consists of acceptable securities and government debt.

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 2024 £'000	31 March 2023 £'000
Debtors		
Employers' contributions due	50	22
Employees' contributions due	157	75
Other	99	0
Cash balances	688	3,083
	994	3,180

12. CURRENT LIABILITIES

	31 March 2024 £'000	31 March 2023 £'000
Creditors		
Other local authorities (LB Hillingdon)	(72)	(133)
Other entities	(382)	(617)
	(454)	(750)

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, £92k was received in additional voluntary contributions by members, in 2023/24 (£87k 2022/23) and AVC Fund value was £3,591k (£3,715k 2022/23). 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 2024 £'000	Market Value 31 March 2023 £'000
Prudential Assurance Company	3,591	3,715
	3,591	3,715

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
Quoted bonds	Level 1	Fixed interest securities are valued at market value based on current yields.	Not required	Not required
Pooled investments - overseas unit trusts and 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
Unquoted equity and Property	Level 3	Comparable valuation of similar companies in accordance with International Private Equity and Venture Capital Valuation Guidelines (2012)	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 2024.

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).

Notes to the Pension Fund Account

Sensitivity of assets valued at level 3

	Valuation range (+/-)	Market Value 31 March 2024 £'000	Value on Increase £'000	Value on Decrease £'000
Pooled investments - Limited Liability Partnerships (Infrastructure) a	10%	66,313	72,944	59,682
Pooled investments - Limited Liability Partnerships (Private Credit) b	10%	70,979	78,077	63,881
Pooled Property - UBS Property & AEW UREF	10%	105,997	116,597	95,397
Pooled Dislocation Fund - Balckstone	5%	19,240	21,164	17,316
Private Equity - d	5%	5,521	5,797	5,245
Total		268,050	294,579	241,521

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 2024	Quoted Market Price	Using Observable Inputs	With Significant Unobservable Inputs	Total £'000
	Level 1 £'000	Level 2 £'000	Level 3 £'000	
Financial Assets at Fair Value through Profit and Loss				
Equities	29	0	0	29
Pooled Investments	0	1,000,277	156,532	1,156,809
Pooled Property Investments	0	84,441	105,997	190,438
Private Equity	0	0	5,521	5,521
	29	1,084,718	268,050	1,352,797
Financial Liabilities at Fair Value through Profit and Loss				
Total	29	1,084,718	268,050	1,352,797

Values as at 31 March 2023	Quoted Market Price	Using Observable Inputs	With Significant Unobservable Inputs	Total £'000
	Level 1 £'000	Level 2 £'000	Level 3 £'000	
Financial Assets at Fair Value through Profit and Loss				
Equities	29	0	0	29
Pooled Investments	0	832,149	133,472	965,621
Pooled Property Investments	0	88,806	105,630	194,436
Private Equity	0	0	6,346	6,346
	29	920,955	245,448	1,166,432
Financial Liabilities at Fair Value through Profit and Loss				
Total	29	920,955	245,448	1,166,432

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 2023	Purchases at cost	Sales proceeds	Unrealised gains/(losses)	Realised gains/(losses)	Value 31 March 2024
	£'000	£'000	£'000	£'000	£'000	£'000
Private Equity - Adams Street Partners, LGT Capital Partners & UBS	6,346	46	(1,108)	(426)	663	5,521
Private Finance - M&G	682	0	(93)	(156)	27	460
Infrastructure - Maquarie & LCV	57,524	8,111	(4,332)	2,707	2,303	66,313
Venture Capital - UBS	41	0	0	(41)	0	0
Property - UBS Property, & AEW UREF	105,630	1,592	(253)	(827)	(145)	105,997
DGF/Dislocation - Blackstone	0	19,245	0	(5)	0	19,240
Direct Lending - Permira & LCV Private Debt	75,225	2,902	(12,658)	5,197	(147)	70,519
Total Level 3 Assets	245,448	31,896	(18,444)	6,449	2,701	268,050

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There were no transfers into Level 3 in 2023/24

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, UBS Property & LGIM LPI

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 actually 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 comes to the conclusion 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 subsequent to 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, UBS Property & LGIM LPI

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.

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

Notes to the Pension Fund Account

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 in order 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.

Pooled Property – AEW, UBS Property & LGIM LPI

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 into with the Fund.

Notes to the Pension Fund Account

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 2024 £'000	31 March 2024 £'000	31 March 2024 £'000	31 March 2024 £'000	31 March 2023 £'000	31 March 2023 £'000	31 March 2023 £'000	31 March 2023 £'000
Financial Assets								
Equities	29	0	0	29	29	0	0	29
Pooled Investments	1,156,809	0	0	1,156,809	965,621	0	0	965,621
Pooled property investments	190,438	0	0	190,438	194,436	0	0	194,436
Private Equity	5,521	0	0	5,521	6,346	0	0	6,346
Cash	0	8,316	0	8,316	0	16,510	0	16,510
Other Investment balances	0	269	0	269	0	140	0	140
	1,352,797	8,585	0	1,361,382	1,166,432	16,650	0	1,183,082
Total	1,352,797	8,585	0	1,361,382	1,166,432	16,650	0	1,183,082

15A. NET GAINS AND LOSSES ON FINANCIAL INSTRUMENTS

Financial Assets	31 March 2024 £000's	31 March 2023 £000's
Designated at Fair Value through profit and (loss)	133,360	(83,450)
	133,360	(83,450)

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

Notes to the Pension Fund Account

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 number of 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 as a result 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).

Asset Type	Value as at 31 March 2024 £'000	Percentage Change %	Value on Increase £'000	Value on Decrease £'000
Global Equity	770,458	12.10%	863,683	677,233
UK Equity	29	12.10%	33	25
Bonds	229,796	9.10%	250,707	208,885
Alternatives	162,054	3.60%	167,888	156,220
Property	190,460	6.80%	203,411	177,509
Total	1,352,797		1,485,723	1,219,871

Note: Bonds valuation in the table above includes pooled fund held bonds.

Asset Type	Value as at 31 March 2023 £'000	Percentage Change %	Value on Increase £'000	Value on Decrease £'000
Global Equity	609,525	13.10%	689,373	529,677
UK Equity	29	13.10%	33	25
Bonds	222,601	6.70%	237,515	207,687
Alternatives	139,819	3.60%	144,852	134,786
Property	194,458	8.20%	210,404	178,512
Total	1,166,432		1,282,177	1,050,687

Note: Bonds valuation in the table above includes pooled fund held bonds.

Notes to the Pension Fund Account

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 2024 and 31 March 2023 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 2024	Potential movement on 1% change in interest rates	Value on increase	Value on decrease
	£'000	£'000	£'000	£'000
Assets exposed to interest rate risks				
Cash balances	8,316	83	8,399	8,233
Bonds - pooled funds	229,796	2,298	232,094	227,498
Total change in assets available	238,112	2,381	240,493	235,731

	Value as at 31 March 2023	Potential movement on 1.2% change in interest rates	Value on increase	Value on decrease
	£'000	£'000	£'000	£'000
Assets exposed to interest rate risks				
Cash balances	16,510	198	16,708	16,312
Bonds - pooled funds	222,601	2,671	225,272	219,930
Total change in assets available	239,111	2,869	241,980	236,242

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

The Pension Fund has the ability to set up a passive currency hedge where these risks are perceived to be adverse. As of 31 March 2024, 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 2024 and as at the previous period ending 31 March 2023.

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 6.1%, based on the data provided by PIRC. A 6.1% 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 6.1% 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:

Notes to the Pension Fund Account

Assets exposed to currency risk	Asset Value 31 March 2024	Potential market movement	Value on increase	Value on decrease
		6.10%		
	£'000	£'000	£'000	£'000
Pooled Funds	663,973	40,502	704,475	623,471
Private Equity/Infrastructure	71,834	4,382	76,216	67,452
	735,807	44,884	780,691	690,923

Assets exposed to currency risk	Asset Value 31 March 2023	Potential market movement	Value on increase	Value on decrease
		6.70%		
	£'000	£'000	£'000	£'000
Pooled Funds	508,725	34,085	542,810	474,640
Private Equity/Infrastructure	63,870	4,279	68,149	59,591
	572,595	38,364	610,959	534,231

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 in order 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 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 2024 was £8,984k (31 March 2023: £19,593k) and this was held with the following institutions:

Summary	Rating S&P	Balances as at 31 March 2024 £'000	Rating S&P	Balances as at 31 March 2023 £'000
Money market funds				
Northern Trust	AAAm	8,316	AAAm	16,510
Bank current accounts				
NatWest	A+	668	A	3,083
Total		8,984		19,593

Notes to the Pension Fund Account

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 (£668k). 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 2024, these assets totalled £1,019,517k, with a further £8,316k 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 2022 setting rates for the period April 2023 to March 2026. The next triennial valuation will take place as of 31 March 2025.

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 2022 actuarial valuation, the Fund was assessed as 88% funded (87% at the March 2019 valuation). This corresponded to a deficit of £167m (2019 valuation: £161m) at that time. The slight improvement in funding position between 2019 and 2022 is mainly due to investment performance over the inter-valuation period. The liabilities have also increased due to a reduction in the future expected investment return, although this has partially been offset by lower-than-expected pay and benefit growth (both over the inter-valuation period and forecast to continue into the long term).

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 2022. Details can be found at <http://www.lgpsregs.org/>.

Notes to the Pension Fund Account

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 2023 - 31 March 2026	Secondary Rate (£)		
	2023/24	2024/25	2025/26
19.60%	£6,682,000	£6,897,000	£7,120,000

The Primary rate above includes an allowance for administration expenses of 0.8% of pay. The employee average contribution rate is 6.7% of pay.

At the previous formal valuation on 31 March 2019, 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 2022 (alongside those adopted at the previous valuation for comparison) are shown below.

Description	31 March 2022	31 March 2019
Funding Basis Discount Rate	4.1%	4.0%
Benefit Increases (CPI)	2.7%	2.3%
Salaries Increases	3.2%	2.6%

Notes to the Pension Fund Account

Demographic Assumptions

The main demographic assumption to which the valuation results are most sensitive is that relating to the longevity of the Fund's members. The longevity assumptions result in the following typical future life expectancies from age 65. For this valuation, the Fund has adopted assumptions which give the following sample average future life expectancies for members:

Description	31 March 2022	31 March 2019
Male		
Pensioners	22.3 years	22.1 years
Non- Pensioners	23.0 years	22.8 years
Female		
Pensioners	24.8 years	24.3 years
Non- Pensioners	26.0 years	25.5 years

Commutation assumptions

An allowance is included for 55% of future retirements to elect to take the maximum additional tax-free cash up to HMRC limits for pre-April 2008 service.

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 2022 to comply with the accounting standard.

Description	31 March 2024 % per annum	31 March 2023 % per annum
Inflation /Pensions Increase Rate	2.8%	3.0%
Salary Increase Rate	3.3%	3.5%
Discount Rate	4.8%	4.8%

An IAS 19 valuation was carried out for the Fund as of 31 March 2024 by Hymans Robertson with the following results:

Description	31 March 2024 £m	31 March 2023 £m
Present Value of Promised Retirement Benefits	1,482	1,457
Active Members	468	426
Deferred Members	368	371
Pensioners	646	660

**Incorporates an allowance for the potential increase in liabilities arising from the McCloud judgement and GMP indexation*

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

Notes to the Pension Fund Account

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 2024 have been projected using a roll forward approximation from the latest formal funding valuation as of 31 March 2022. The above figures include both vested and non-vested benefits, although the latter is assumed to have a negligible value.

Note that the above figures on 31 March 2024 (and 31 March 2023) include an allowance for the "McCloud ruling", i.e., an estimate of the potential increase in past service benefits arising from this case affecting public service pension schemes.

Net Liability

The table below shows the total net liability of the Fund as of 31 March 2024. The figures have been prepared by Hymans Robertson, the Fund's actuary, only for the purposes of providing the information required by IAS26. In particular, 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 2024	31 March 2023
	£m	£m
Present Value of Promised Retirement Benefits	(1,482)	(1,457)
Fair Value of Scheme Assets (bid value)	1,361	1,183
Net Liability	(121)	(274)

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 2023/24) 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 2022 reported a funding level of 88%. 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 a 12-month period 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 2024 £'000	31 March 2023 £'000
Short term benefits	111	92
Post employment benefits	112	98
	223	190

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

In 2023/24 Richmond College merged with HCUC to form a new entity HRUC (Harrow, Richmond & Uxbridge College). As a result of the merger a bulk transfer was received from Richmond College of £45.2m.

22. CONTRACTUAL COMMITMENTS

Outstanding capital commitments (investments) as of 31 March 2024 totalled £44,393k (£56,803k on 31 March 2023).

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

Four 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 £153,000.00.

24. POST BALANCE SHEET EVENTS

Events taking place after the 31st of March 2024 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 2024, 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 charge to support the work of the LCIV which is 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 2023/24 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	State Street Global Advisors Limited	01-Dec-21
LCIV LV Global Equity Fund	Longview Partners	17-Jul-17
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
Emerging Market Equities		
LCIV Emerging Market Equity Fund	J.P. Morgan Asset Management	11-Jan-18
Multi-Asset		
LCIV Diversified Growth Fund	Baillie Gifford & Co	15-Feb-16
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
Infrastructure		
LCIV Infrastructure Fund	Stepstone Infrastructure and Real Assets	31-Oct-19

LCIV Renewable Infrastructure Fund	Blackrock, Stonepeak, Quinbrook and Foresight	30-Mar-21
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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

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 £1,030m on 31 March 2024, accounting for 75.6% of total assets of the Pension Fund. This was invested in Ruffer (Multi Asset) Baillie Gifford (Global Alpha Paris-Aligned), Stepstone (Infrastructure), Churchill/Pemberton (Private Debt), Pimco & CQS (LCIV MAC Fund) on the LCIV platform and LGIM Passive.

Pooled assets

Sub Fund	Value £'000	Opening Proportion %	Value £'000	Closing Proportion %
	31/03/2023		31/03/2024	
LCIV Global Alpha Growth Paris Aligned Fund	53,395	4.52	61,926	4.55
LCIV RF Absolute Return Fund	47,406	4.02	44,559	3.27
LCIV Stepstone Infrastructure Fund	40,623	3.44	51,189	3.76
LCIV Private Debt	48,183	4.08	55,780	4.1
LCIV MAC Fund	110,958	9.4	304,306	22.35
LGIM Passive Equities	508,991	43.12	359,667	26.42
LGIM Passive Bonds	111,642	9.46	106,057	7.79
LGIM LPI Property	47,951	4.06	46,638	3.43
	969,149	82.1	1,030,122	75.67

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

	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	Cumulative to date
Set Up Costs	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Development Charge	65	65	85	85	85	85	470
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	-181	-115	-96	-150	-806	-416	-1,764
Net (Savings)/Cost Realised	-91	-25	14	-40	-696	-306	-1,144

The fee savings and management fees for 2023/24 exclude the Funds' investments in the LCIV Infrastructure and Private Debt Funds, as fee savings figures are not yet available.

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 2023/24 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.

2023-24

	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	3,030	3,055	4,259	0	4,259	7,314
Performance	0	838	838	1,547	0	1,547	2,385
Transaction Costs	0	697	697	1,295	0	1,295	1,992
Custody	0	0	0	46	0	46	46
Other	105	0	105	0	0	0	105
Total £'000	130	4,565	4,695	7,147	0	7,147	11,842

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 2023/24 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 2023/24.

Savings

	2019/20	2020/21	2021/22	2022/23	2023/24
	£	£	£	£	£
Price Variance	113,505.00	96,045.54	150,643.40	806,000.00	486,000.00

The fee savings and management fees for 2023/24 exclude the Funds' investments in the LCIV infrastructure and Private Debt Funds, as fee savings figures are not yet available.

The price variance in the table measures the extent to which fee rates have generated savings based on the year end value of the assets under management by holding the assets in a sub fund run by the pool. In each case for Hillingdon's pooled assets the fee rate is lower than the fee rate before pooling, this is in part due to a direct transfer of asset class and economies of scale achieved through the pool on negotiating power. Where assets transfer into different classes this would result in a different fee structure that would not be comparable. The above

savings do not consider additional charges serviced on the fund because of investment in the pool sub funds, which are direct costs of us investing in the pool, for example auditing, FCA regulation and depositary costs.

The table above shows the level of pooled assets as of 31 March 2024. 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.

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The following investment managers have managed mandates during the year:

Investment Managers 2023/24	
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	UBS Property
Property	AEW UK Ltd
Property (LPI Index-Linked)	LGIM

Asset Allocation 2023/24

Asset Category	Opening Value		Closing Value	
	£'000	%	£'000	%
Asset Pool Managed Investments				
Active listed Equity	53,395	5	61,926	5
Active listed Fixed Income	110,959		123,740	9
Passive listed Equity	508,790	43	663,996	49
Passive Listed Fixed Income	111,642	9	106,056	8
Multi-asset funds/diversified growth funds	47,406	4	44,559	3
Private Debt	48,183	4	55,780	4
Infrastructure	40,623	3	51,189	4
Passive LPI Property	47,387	5	46,638	3
Total - Pooled	968,385	73	1,153,884	85
Non-asset pool managed investments				
Active listed Equity	29	0	29	0
Private Debt	682	0	460	0
Private Debt	27,042	2	14,738	1
Property	71,847	6	72,517	5
Property	75,202	6	71,283	5
Multi-asset funds/diversified growth funds	0	0	19,241	2
Unlisted Equity	4,282	0	3,712	0
Unlisted Equity	2,064	0	1,809	0
Infrastructure	16,899	1	15,124	1
Cash	16,650	1	8,585	1
Total Non-Pooled	214,697	16	207,498	15

Grand Total

1,183,082

1,361,382

*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

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 £199m (which represents 14.6% of the total Pension Fund) of investments categorised as UK Levelling-up investments.

Asset Value as of 31 March 2024	Pooled	Under Pooled Management	Not Pooled	Total
	£m	£m	£m	£m
Equities	0	724	0	724
Bonds	0	230	0	230
Property	144	47	0	191
Diversified Growth Funds/Dislocation Fund	19	45	0	64
Private Equity	6	0	0	6
Private Debt	15	56	0	71
Infrastructure	15	51	0	66
Cash & Cash Equivalents				9
Total	199	1,153	0	1,361

Asset Value as of 31 March 2024	Pooled	Under Pooled Management	Not Pooled	Total
	£m	£m	£m	£m
UK Listed Equities	0	27	0	27
Uk Government Bonds	0	106	0	106
UK Infrastructure	0	0	0	0
UK Private Equity	0	0	0	0
Total	0	133	0	133

The tables above show the level of pooled assets as of 31 March 2024. 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

DRAFT

Date approved: 26 March 2024

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 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, is it 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 13 December 2023. 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 a number of challenges, not least:

- the need to carry out a major scheme reconciliation exercise as a result of the introduction of the new State Pension – GMP reconciliation project
- Changes to the scheme as a result 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 13 December 2023 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.

As a result of the Public Service Pensions Act 2013, the Pensions Regulator now has responsibility for oversight of a number of 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.

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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 as a result 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.	<p>Annual data checks (including ongoing reconciliations) resulting in few issues that are resolved within 2 months.</p> <p>Key target service standards (highlighted in table above) achieved in 95% of cases*.</p> <p>Issues included in formal improvement notices issued to employers resolved in accordance with plan.</p>
Ensure benefits are paid to, and income collected from, the right people at the right time in the right amount.	<p>Mainly positive results in audit and other means of oversight/scrutiny.</p> <p>Key target service standards (highlighted in table above) achieved in 95% of cases*.</p>
Maintain accurate records and ensure data is protected and has authorised use only.	<p>Annual data checks (including ongoing reconciliations) resulting in few issues that are all resolved within 2 months</p> <p>No breaches of data security protocols</p> <p>Mainly positive results in audit and other means of oversight/scrutiny</p>

*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 also 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 also 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 13 December 2023 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 2024, 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 taken into account.

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:

James Lake, Director of Pensions Treasury & Statutory Accounts
London Borough of Hillingdon
Civic Centre
High Street
Uxbridge
UB8 1UW

e-mail - jlake@hillington.gov.uk
Telephone - 01895 277562

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 in order to meet statutory deadlines on benefit statements*

****Note that, in practice, employers in the London Borough of Hillingdon Pension Fund may use the same person to consider stage 1 IDRPs complaints as used by the Administering Authority*

Administering Authority Responsibilities:

- To decide the amount 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

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 where 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

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)

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 so as 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). Notify HPF of the new member details and provide employee with details of the pension scheme.	Within 10 working days following the end of the month in which the 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

Employer responsibility	Timescale
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 contributions 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
<p>Refund contributions through the payroll to any employee who opts out of the scheme with less than 3 months membership.</p> <p>Notify HPF of opt out and refund through payroll by providing a copy of the opt out form</p>	<p>From the next pay period after receiving the employee's request to opt out</p> <p>Within 10 working days following the end of the month in which the employee left the scheme</p>
Calculate assumed pensionable pay for any employees who met this requirement under the regulations.	As required
<p>Leavers (excluding retirements/casuals)</p> <p>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.</p>	Within 10 working days following the end of the month in which the employee was last paid
<p>Leavers (casuals)</p> <p>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.</p>	Within 10 working days following the end of the month the employer is aware they have left or were last paid
Retirements	

Employer responsibility	Timescale
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
Provide annual information to HPF with full details of the contributions paid by members in the year. Respond to queries on the annual return raised by HPF.	By 30 April each year Respond to queries within 10 working days of receipt
The employer will maintain employment records for each member for the purposes of determining membership and entitlement to benefits. The employer must keep a full pay history for the 13 years, ending 31 March, before the member leaves the scheme.	As required
Notify HPF of a member's death and next of kin's details.	Within 5 working days of the member's death.
Supply details required for completion of an estimate.	Within 10 working days of the member's request
Distribute information relating to the publication of annual benefit statements and any other notifications to active members as requested by HPF.	Within 20 working days of receipt

Employer responsibility	Timescale
<p>Notify HPF of any TUPE transfer.</p> <p>Complete TUPE forms for each member transferring.</p>	<p>Notify HPF of the transfer as soon as possible in advance of the transfer date.</p> <p>Part A of the TUPE form completed within 10 working days following the end of the month in which the transfer took place.</p>
<p>Notify HPF of any outsourcing arrangements which impact on employees eligible to the LGPS</p> <p>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</p> <p>Ensure admission agreement is finalised</p> <p>Provide individual TUPE forms for transferring staff to HPF</p>	<p>As soon as possible but no later than 20 working days before change</p> <p>As soon as possible but no later than 20 working days before change</p> <p>No later than date of transfer</p> <p>Part A of the TUPE form completed within 10 working days following the end of the month in which the transfer took place</p>

Employer responsibility	Timescale
<p>Notify HPF of a change of payroll provider by completing a 'Employer Change of payroll provider' form</p> <p>Submit individual 'Change of payroll provider' forms to HPF for all transferring employees</p> <p>Provide notification of new payroll numbers (if applicable) to HPF</p> <p>Complete a mid year return if date of change is not 1 April</p>	<p>As soon as possible but no later than 20 working days before change</p> <p>Within 20 working days post transfer</p> <p>Within 20 working days post transfer</p> <p>Within 40 working days post transfer</p>
<p>Designate a named individual to act as the main contact for any aspect of administering the LGPS</p>	<p>Within 30 days of becoming a scheme employer or within one month of the change in officer role.</p>
<p>Complete and return an 'Employers contact form' detailing authorised signatories. Form available by emailing pensions.employer@hants.gov.uk</p>	<p>Within 30 days of becoming a scheme employer or within one month of the change in officer role.</p>
<p>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)</p>	<p>Within 10 working days of receipt of the request.</p>

London Borough of Hillingdon Pension Fund
Funding Strategy Statement
March 2023

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1 Welcome to London Borough of Hillingdon Pension Fund's funding strategy statement

This document sets out the funding strategy statement (FSS) for London Borough of Hillingdon Pension Fund.

The London Borough of Hillingdon Pension Fund is administered by London Borough of Hillingdon, known as the administering authority. London Borough of Hillingdon worked with the fund's actuary, Hymans Robertson, to prepare this FSS which is effective from 1 April 2023.

There's a regulatory requirement for London Borough of Hillingdon to prepare an FSS. You can find out more about the regulatory framework in [Appendix A](#). If you have any queries about the FSS, contact pensions@hillingdon.gov.uk.

1.1 What is the London Borough of Hillingdon Pension Fund?

The London Borough of Hillingdon Pension Fund is part of the Local Government Pension Scheme (LGPS). You can find more information about the LGPS at www.lgpsmember.org. 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](#).

1.2 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.

1.3 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

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.

1.4 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 investment strategy statement at www.hillingdon.gov.uk/pension-fund-documents.

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.

1.5 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](#))

1.6 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.

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2 How does the fund calculate employer contributions?

2.1 Calculating contribution rates

Employee contribution rates are set by the LGPS regulations.

Employer contributions are made up of three 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 D](#).

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.

Table 1: contribution rate calculation for individual or pooled employers

Type of employer	Scheduled bodies			CABs and designating employers		TABs
	Local authority	Academies	Other scheduled bodies	Open to new entrants	Closed to new entrants	Without pass-through agreements*
Funding target*	Ongoing	Ongoing	Ongoing	Ongoing, but may move to low-risk exit basis		Ongoing
Minimum likelihood of success	70%	70%	75%	75%	75%	75%
Maximum time horizon	20 years	20 years	20 years	15 years	15 years or future working lifetime, if less	15 years or contract length, if less
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					
Secondary rate	% of payroll	% of payroll	% of payroll	% of payroll	Monetary amount	% of payroll

Type of employer	Scheduled bodies			CABs and designating employers		TABs
	Local authority	Academies	Other scheduled bodies	Open to new entrants	Closed to new entrants	Without pass-through agreements*
Stabilised contribution rate?	Yes	No	No	No	No	No
Treatment of surplus (assessed at valuation date)	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 any funding surplus			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		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 any funding surplus
Phasing of contribution changes	Covered by stabilisation arrangement	Discretion of administering authority				None

* 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 26% of pay.

** See [Appendix D](#) for further information on funding targets.

2.2 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 is 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 2022 funding valuation.

Table 1: current stabilisation approach

Type of employer	Local authority
Maximum contribution increase per year	+1% of pay
Maximum contribution decrease per year	-1% of pay

2.3 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 E](#). The purpose of any review is to establish the most appropriate contributions. A review may lead to an increase or decrease in contributions.

2.4 What is pooling?

The administering authority may operate contribution rate pools for similar types of employers. Contribution rates can be volatile for smaller employers that are more sensitive to individual membership changes – pooling across a group of employers minimises this. In a contribution rate pool, contributions are set to target full funding for the pool as a whole, rather than for individual employers.

Employers in a pool maintain their individual funding positions, tracked by the fund actuary. That means some employers may be better funded or more poorly funded than the pool average. If pooled employers used stand-alone funding rather than pooling, their contribution rates could be higher or lower than the pool rate. Setting contributions in this way means that while the fund receives the contributions required, the risk that employers develop a surplus or deficit increases.

Pooled employers are identified in the rates and adjustments certificate and only have their pooled contributions certified. Individual contribution rates aren't disclosed to pooled employers, unless agreed by the administering authority.

2.5 What are the current contribution pools?

- Council – the council pool includes various employers associated with the council including maintained schools.
- Multi Academy Trusts – academies in the Fund who operate under the same multi academy trust (MAT) are permitted to pay a MAT contribution rate.

2.6 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 permit the prepayment of employer contributions in specific circumstances. Further details are available on request.

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.

The Fund is reviewing its policy with regards to early retirements on ill-health grounds, and this is expected to be available in 2023.

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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 D](#), 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.

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 5.4 below.

5.2 New academies

New academies (including free schools) join the fund as separate scheduled employers. Only active members of former council schools transfer to new academies. Free schools do not transfer active members from a converting school but must allow new active members to transfer in any eligible service.

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. The fund treats new academies as separate employers in their own right, who are responsible for their allocated assets and liabilities.

For contribution rate purposes there are two options:

- The new academies' individual contribution rate will be calculated based on the current funding strategy (set out in section 2) and the transferring membership.
- If they are part of a MAT, the new academy can be combined with the other academies in the same MAT to set a combined MAT contribution rate.

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

The fund's policies on academies may change based on updates to guidance from the Department for Levelling Up, Housing and Communities or the Department for Education. Any changes will be communicated and reflected in future funding strategy statements.

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.

The Fund is reviewing its policy with regards to pass-through arrangements, and this is expected to be available in 2023.

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. These are usually town and parish councils. Contribution rates will be set using the same approach as 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.

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.

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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. The administering authority, at their discretion, can defer acting 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
- 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).

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 D](#).

- 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. The low-risk exit basis is defined in [Appendix D](#).
- 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, cessation may be calculated using the same basis that was used to calculate liabilities (and the corresponding asset share) on joining the fund.
- 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 guarantee terms.

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 F](#).

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 will be paid back to the employer based on:

- the surplus amount

- the proportion of the surplus due to the employer's contributions
- 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.

7.4 How do employers repay cessation debts?

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

- 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.

These employer flexibilities are set out in the cessation policy ([Appendix F](#)).

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 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.

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 should include confirmation that employer contributions are set at the right level to ensure the fund's solvency and 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.

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). According to the Department for Levelling Up, Housing and Communities (DLUHC) 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 regulatory framework to maintain **as nearly constant employer contribution rates as possible**
- ensure the fund meets its **solvency and long-term cost efficiency** objectives
- take a **prudent longer-term view** of funding those liabilities.

To prepare this FSS, the administering authority has used guidance by the Chartered Institute of Public Finance and Accountancy (CIPFA).

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'.

The consultation process included issuing a draft version to participating employers and inviting comments.

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 often is the FSS reviewed?

The FSS is reviewed in detail at least every three years as part of the valuation. Amendments may be made before then if there are regulatory or operational changes. Any amendments will be consulted on, agreed by the Pensions Committee and included in the Committee meeting minutes.

A5 How does the FSS fit into the overall fund documentation?

The FSS is a summary of the fund's approach to funding liabilities. It isn't exhaustive – the fund publishes other statements like the statement of investment principles, investment strategy statement, governance strategy and communications strategy. 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:

- 1 operates the fund and follows all Local Government Pension Scheme (LGPS) regulations
- 2 manages any conflicts of interest from its dual role as administering authority and a fund employer
- 3 collects employer and employee contributions, investment income and other amounts due
- 4 ensures cash is available to meet benefit payments when due
- 5 pays all benefits and entitlements
- 6 invests surplus money like contributions and income which isn't needed to pay immediate benefits, in line with regulation and the investment strategy
- 7 communicates with employers so they understand their obligations
- 8 safeguards the fund against employer default
- 9 works with the fund actuary to manage the valuation process
- 10 provides information to the Government Actuary's Department so they can carry out their statutory obligations
- 11 consults on, prepares and maintains the funding and investment strategy statements
- 12 tells the actuary about changes which could affect funding
- 13 monitors the fund's performance and funding, amending the strategy statements as necessary
- 14 enables the local pension board to review the valuation process.

B2 Individual employers:

- 1 deduct the correct contributions from employees' pay
- 2 pay all contributions by the due date
- 3 have appropriate policies in place to work within the regulatory framework
- 4 make additional contributions as agreed, for example to augment scheme benefits or early retirement strain
- 5 tell the administering authority promptly about any changes to circumstances, prospects or membership which could affect future funding.
- 6 make any required exit payments when leaving the fund.

B3 The fund actuary:

- 1 prepares valuations, including setting employers' contribution rates, agreeing assumptions, working within FSS and LGPS regulations and appropriately targeting fund solvency and long-term cost efficiency
- 2 provides information to the Government Actuary Department so they can carry out their statutory obligations
- 3 advises on fund employers, including giving advice about and monitoring bonds or other security
- 4 prepares advice and calculations around bulk transfers and individual benefits

- 5 assists the administering authority to consider changes to employer contributions between formal valuations
- 6 advises on terminating employers' participation in the fund
- 7 fully reflects actuarial professional guidance and requirements in all advice.

B4 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 Department for Levelling Up, Housing and Communities, assisted by the Government Actuary's Department and the Scheme Advisory Board, work with LGPS funds to meet Section 13 requirements.

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Appendix C – Risks and controls

C1 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.

C2 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.

C3 Climate risk and TCFD reporting

The fund has considered climate-related risks when setting the funding strategy. To consider the resilience of the strategy the fund has included climate scenario stress testing in the contribution modelling exercise at the 2022 valuation. The modelling results under the stress tests were slightly worse than the core results but were still within risk tolerance levels, particularly given the severity of the stresses applied. The results provide assurance that the modelling approach does not significantly underestimate the potential impact of climate change and that the funding strategy is resilient to climate risks. The results of these stress tests may be used in future to assist with disclosures prepared in line with Task Force on Climate-Related Financial Disclosures (TCFD) principles.

Appendix D – 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.

D1 What are assumptions?

Assumptions are used to estimate the benefits due to be paid to members. Financial assumptions determine the amount of benefit to be paid to each member, and the expected investment return on the assets held to meet those benefits. Demographic assumptions are used to work out when benefit payments are made and for how long.

The funding target is the money the fund aims to hold to meet the benefits earned to date.

Any change in the assumptions will affect the funding target and contribution rate, but different assumptions don't affect the actual benefits the fund will pay in future.

D2 What assumptions are used to set the contribution rate?

The fund doesn't rely on a single set of assumptions when setting contribution rates, instead using Hymans Robertson's Economic Scenario Service (ESS) to project each employer's assets, benefits and cashflows to the end of the funding time horizon.

ESS projects future benefit payments, contributions and investment returns under 5,000 possible economic scenarios, using variables for future inflation and investment returns for each asset class, rather than a single fixed value.

For any projection, the fund actuary can assess if the funding target is satisfied at the end of the time horizon.

Table: Summary of assumptions underlying the ESS, 31 March 2022

		Annualised total returns											Inflation (CPI)
		Cash	Index Linked Gilts (medium)	Developed World ex UK Equity	Private Equity	Property	Emerging Markets Equity	Diversified Growth Fund (low equity beta)	Multi Asset Credit	All World Equity GBP Hedged	All World ex UK Equity in GBP Unhedged	Direct Lending (private debt) GBP Hedged	
5 year	16th %ile	0.7%	-2.2%	-3.2%	-5.0%	-2.5%	-5.9%	0.6%	0.3%	-2.8%	-2.9%	0.8%	2.3%
	50th %ile	1.5%	0.8%	5.3%	9.5%	4.0%	5.6%	2.9%	3.1%	5.7%	5.7%	5.8%	3.9%
	84th %ile	2.3%	4.0%	14.0%	24.1%	11.0%	17.9%	5.2%	5.7%	14.1%	14.1%	10.7%	5.5%
10 years	16th %ile	0.8%	-1.9%	-0.7%	-1.2%	-0.6%	-2.5%	1.4%	1.7%	-0.3%	-0.4%	2.7%	1.6%
	50th %ile	1.8%	0.2%	5.6%	9.4%	4.4%	5.8%	3.2%	3.5%	5.9%	5.8%	6.0%	3.3%
	84th %ile	2.9%	2.4%	11.7%	20.1%	9.5%	14.4%	5.1%	5.2%	11.9%	11.9%	9.2%	4.9%
20 years	16th %ile	1.0%	-1.5%	1.5%	2.4%	1.4%	0.1%	2.1%	2.8%	1.9%	1.8%	4.3%	1.2%
	50th %ile	2.4%	0.1%	6.1%	10.0%	5.0%	6.3%	3.8%	4.4%	6.4%	6.3%	6.8%	2.7%
	84th %ile	4.0%	1.9%	10.8%	17.6%	8.9%	12.8%	5.7%	6.0%	11.0%	11.1%	9.2%	4.3%

D3 What financial assumptions were used?

Future investment returns and discount rate

The fund uses a risk-based approach to generate assumptions about future investment returns over the funding time horizon, based on the investment strategy.

The discount rate is the annual rate of future investment return assumed to be earned on assets after the end of the funding time horizon. The discount rate assumption is set as a margin above the risk-free rate.

Assumptions for future investment returns depend on the funding objective.

	Employer type	Margin above risk-free rate
Ongoing basis	All employers except transferee admission bodies and closed community admission bodies	2.0%
Low-risk exit basis	Community admission bodies closed to new entrants	0%

Discount rate (for funding level calculation as at 31 March 2022 only)

For the purpose of calculating a funding level at the 2022 valuation, a discount rate of 4.1% applies. This is based on a prudent estimate of investment returns, specifically, that there is an 70% likelihood that the fund's assets will achieve future investment returns of at least 4.1% over the 20 years following the 2022 valuation date.

Pension increases and CARE revaluation

Deferment and payment increases to pensions and revaluation of CARE benefits are in line with the Consumer Price Index (CPI) and determined by the regulations. The CPI assumption is based on Hymans Robertson's ESS model. The median value of CPI inflation from the ESS was 2.7% pa on 31 March 2022.

Salary growth

The salary increase assumption at the latest valuation has been set to 0.5% above CPI pa plus a promotional salary scale.

D4 What demographic assumptions were used?

Demographic assumptions are best estimates of future experience. 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 member level 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 2021 version of the continuous mortality investigation (CMI) 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% pa applies.

The smoothing parameter used in the CMI model is 7.0. There is little evidence currently available on the long-term effect of Covid-19 on life expectancies. To avoid an undue impact from recently mortality experience on long-term assumptions, no weighting has been placed on data from 2020 and 2021 in the CMI.

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	Varying proportion of members assumed to have a dependant at retirement or on earlier death. For example, at age 60 this is assumed to be 90% for males and 85% for females. Beyond retirement the proportion is adjusted for assumed dependant mortality. Males assumed to be 3 years older than females, partner dependants assumed to be opposite sex to members.
Commutation	55% of maximum tax-free cash
50:50 option	0.6% of members will choose the 50:50 option.

Males

Incidence per 1000 active members per year									
Age	Salary scale	Death before retirement	Withdrawals		Ill-health tier 1		Ill-health tier 2		
			FT &PT	FT	PT	FT	PT	FT	PT
20	105	0.17	606.46	1056.91	0.00	0.00	0	0	
25	117	0.17	400.59	698.13	0.00	0.00	0	0	
30	131	0.2	284.23	495.26	0.00	0.00	0	0	
35	144	0.24	222.07	386.91	0.10	0.07	0.02	0.01	
40	150	0.41	178.79	311.41	0.16	0.12	0.03	0.02	
45	157	0.68	167.94	292.45	0.35	0.27	0.07	0.05	
50	162	1.09	138.44	240.80	0.90	0.68	0.23	0.17	
55	162	1.7	109.02	189.72	3.54	2.65	0.51	0.38	
60	162	3.06	97.17	169.02	6.23	4.67	0.44	0.33	
65	162	5.10	0	0	11.83	8.87	0	0	

Females

Incidence per 1000 active members per year									
Age	Salary scale	Death before retirement	Withdrawals		Ill-health tier 1		Ill-health tier 2		
			FT &PT	FT	PT	FT	PT	FT	PT
20	105	0.1	528.64	560.85	0.00	0.00	0	0	
25	117	0.1	355.71	377.33	0.10	0.07	0.02	0.01	
30	131	0.14	298.17	316.25	0.13	0.10	0.03	0.02	
35	144	0.24	257.35	272.86	0.26	0.19	0.05	0.04	
40	150	0.38	214.19	227.01	0.39	0.29	0.08	0.06	
45	157	0.62	199.88	211.81	0.52	0.39	0.1	0.08	
50	162	0.9	168.51	178.38	0.97	0.73	0.24	0.18	
55	162	1.19	125.74	133.24	3.59	2.69	0.52	0.39	
60	162	1.52	101.33	107.24	5.71	4.28	0.54	0.4	
65	162	1.95	0	0	10.26	7.69	0	0	

D5 What assumptions apply in a cessation valuation following an employer's exit from the fund?

Low-risk exit basis

Where there is no guarantor, the low-risk exit basis will apply.

The financial and demographic assumptions underlying the low-risk exit basis are explained below:

1. The discount rate is set equal to the annualised yield on long dated government bonds at the cessation date, with a 0% margin. This was 1.7% pa on 31 March 2022.
2. The CPI assumption is based on Hymans Robertson's ESS model. The median value of CPI inflation from the ESS was 2.7% pa on 31 March 2022.
3. Life expectancy assumptions are the same as the ongoing basis.

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Appendix E – Contribution review policy

Aims and objectives

The Fund's aims and objectives related to this policy are as follows:

- To provide employers with clarity around the circumstances where contribution rates may be reviewed between valuations.
- To outline specific circumstances where contribution rates will not be reviewed.

Background

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.

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.

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.

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.

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.

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.

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 a basis for a change in contributions outside a formal triennial valuation.

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

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Appendix F – 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

Exit Credits

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 and a cessation valuation will be completed in line with this policy.

London Borough of Hillingdon Pension Fund

Investment Strategy Statement

December 2023

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HILLINGDON
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www.hillingdon.gov.uk



1. Introduction

This is the Investment Strategy Statement (ISS) of the Hillingdon Pension Fund (the “Fund”) as required by regulation 7 of the Local Government Pension Scheme (LGPS) (Management and Investment of Funds) Regulations 2016 (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.

As set out in the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016, the Pensions Committee will review this ISS from time to time, and at least every three years. 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 Clare Scott 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 particular 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 taken into account 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.

Consistent with the 2022 triennial revaluation of the Fund, the agreed investment aim is to generate, over time, a rate of return that is at least 4.1% 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.

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 advice in the best long term interest of scheme beneficiaries, while looking to maintain overall target return. A full formal 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 seven 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 – 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. 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. 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	Target Allocation*	Or
Equities	51%	or + or – 10%
IL Government Bonds	7%	or + or – 5%
Private Credit	5%	or + or – 10%
Property	12%	or + or – 8%
Infrastructure	8%	or + or – 5%
Absolute Return & Opportunistic	5%	or + or – 5%
Multi Asset Credit	12%	or + or – 10%
Cash	0%	

* Target allocation reflects agreed changes to asset allocation at Pensions Committee of September 2023

Each asset class has its own specific investment objective and within each asset class there are further diversification controls. The mandates are managed by various investment managers including the London Collective Investment Vehicle (LCIV), the Fund’s investment pool (see section 4 below).

Equities

The Fund invests in Public Equities through both active and passive management. For active Equities the Funds objective is seek which offer a balance between growth and income; the aim is to outperform the MSCI All Country World benchmark. Net dividends will continue to be reinvested until the funds cash flow changes. Passive Equities are held to keep investment manager fees low and to contribute to the return objective by tracking the relevant benchmarks. All equity investments can be made via

segregated or pooled fund mandates and where appropriate investments will be held within the London CIV.

The Fund holds a small amount of Private Equity (less than 1% at June 2023). No further commitments are planned for Private Equity.

Bonds, Multi-Asset & Private Credit

The Fund invests in inflation-linked government and diversified credit to improve the resilience of the portfolio and provide a contractual income to the Fund. Exposure includes index linked securities issued by the UK Government, given their similarities within the Scheme'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 the manager will aim to maximise risk adjusted returns across a full market cycle.

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 and adds diversification.

Property

The Fund holds an allocation in UK Property to support the overall aim to generate a return in excess of the market while earning predictable cash flows. The class also includes an allocation long-lease property to deliver reliable income streams with inflation protection.

Absolute Return & Opportunistic

The Fund has agreed to an allocation to an opportunistic dislocation fund which aims to take advantage of potential anomalies in the market. The fund is tactical in nature and money will be drawn from an absolute return fund when opportunities present themselves.

The absolute return fund aims to preserve capital and provide a return in excess of cash over the long term. The combination of these investments should provide synergies in terms of protection and return.

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 Collective Investment Vehicle (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. It 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.

Since its initial launch, the London CIV has opened a diversified range of funds and continues to increase the available suite to provide a 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. 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, although 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 the 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 considerable 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. These will be held as legacy assets 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 Fund manager.

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 the Chairman 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 share structure of London CIV involves each member body being shareholders who all retain equal shares in the 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.

4.3 Investment implementation

The implementation of all investments is delegated to the Corporate Director of Finance, supported by a team of officers. The officers are assisted in the implementation of the investment strategies by the Fund's appointed investment advisors. Although investment decisions will firstly look to implementation into a sub Fund held within the London CIV, the Fund will ultimately ensure it meets its fiduciary duties.

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 determine the strategic asset allocation that it believes has the highest probability of succeeding, taking into account proper advice from the Fund's investment advisors.

The Pensions Committee meet 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 making appropriate decisions where necessary.

The Fund's custodian provides an independent investment monitoring service. 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 in light of 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 loss and damage to the Fund and to other stakeholders who are dependent on the benefits and services provided; and
- make sure that any new areas of activity (new investment strategies, joint-working, framework agreements etc.), are only undertaken if the risks they present are fully understood and taken into account 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 suitable diversified, with the balance of different asset classes and investment managers mitigating the impact at an aggregate level of underperformance of an individual manager. London CIV employs a range of investment managers. 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.

6. How social, environmental or corporate governance considerations are taken into account 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 expects its external investment managers, including the London CIV to undertake appropriate monitoring of current investments with regard to 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 its investment managers to integrate material ESG factors within its investment analysis and decision making.

The Fund will give consideration to UK foreign policy or UK defence policy when making investment decisions.

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 and can be found at [Pension fund documents - Hillingdon Council](#)

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

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 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.

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; it needs to join with other investors sharing similar concerns. 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 impacting local 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 Fund complies with the 2020 UK Stewardship Code and a report which explains the arrangements which support its commitment to each of the principles is also published on the website.

London Borough of Hillingdon
Administering Authority for the
London Borough of Hillingdon Pension Fund

COMMUNICATION STRATEGY

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Date approved: 28 September 2021

Date of renewal: September 2024

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 2021 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) In particular 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, taking into account 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 is 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.

Diversity of Communication

The London Borough of Hillingdon Pension Fund's information is also available in alternative formats for example, Braille or large print 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 is 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 are able to download scheme literature and forms. The website also links to the HPS 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 a specific way on request, for example in large print or Braille.

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 have the opportunity to 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.

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

Introduced in April 2016, 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. The majority of 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:

Pension Manager

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 monthly basis to discuss operational issues, 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 Pension Manager 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 them 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 number of 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 as a result of the Public Services Pensions Act 2013. We therefore liaise with the Regulator as required and ensure that the London Borough of Hillingdon Fund is compliant with the Pensions Regulator's Code of Practice.

Trade Unions

We work with relevant trade unions 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 who invest funds 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.

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 in-house AVC provider is Prudential.

Pensions and Lifetime Savings Association (PLSA)

The Fund is a member of PLSA, which provides an opportunity for administering authorities to discuss issues of common interest and share best practice.

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.

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 as a result 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.

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 also 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
- The ongoing impact of COVID 19 on all resources members, employers and other stakeholders.

Preparation and Review

This Strategy Statement was approved on 28 September 2021 by the London Borough of Hillingdon Pensions Committee. It is effective from 1 October 2021

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 taken into account.

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:

James Lake, Head of Finance - Statutory Accounting & Pension Fund
 London Borough of Hillingdon
 Civic Centre
 High Street
 Uxbridge
 UB8 1UW

E-mail - jlake@hillingdon.gov.uk
 Telephone - 01895 277562

M: EXTERNAL AUDIT OPINION

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

Opinion

DRAFT

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

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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):

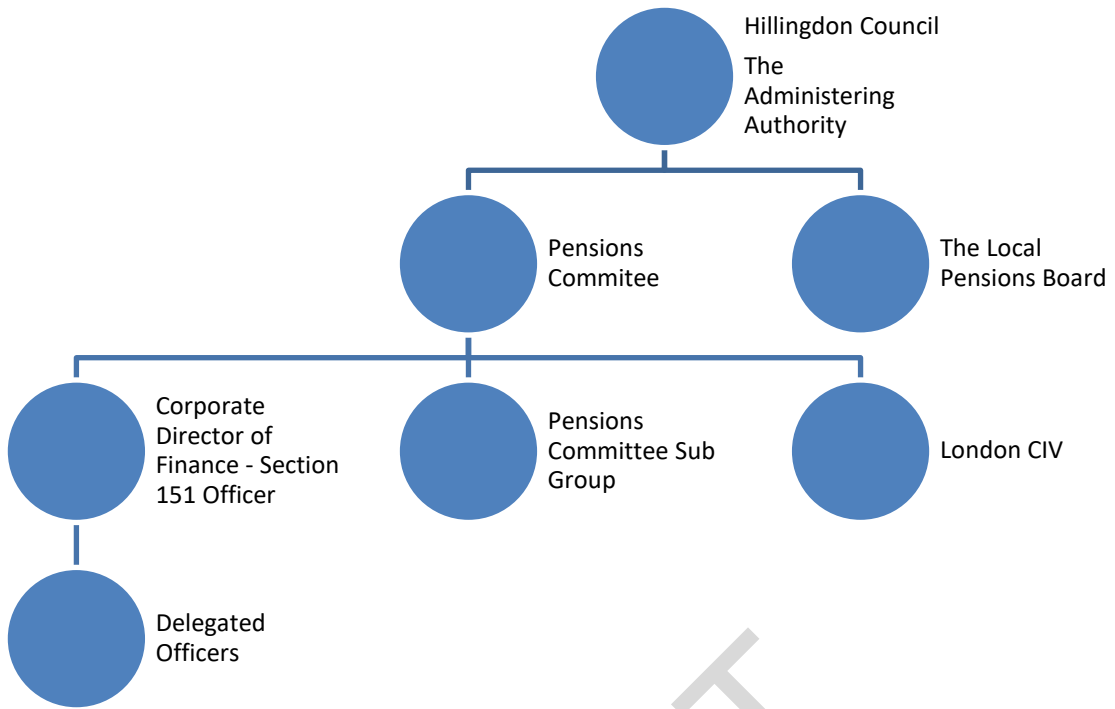
- around 32,000 current and former members of the Fund, and their dependants
- over 119 employers within the Fund
- local taxpayers within the council areas participating in the Fund.

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.



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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.

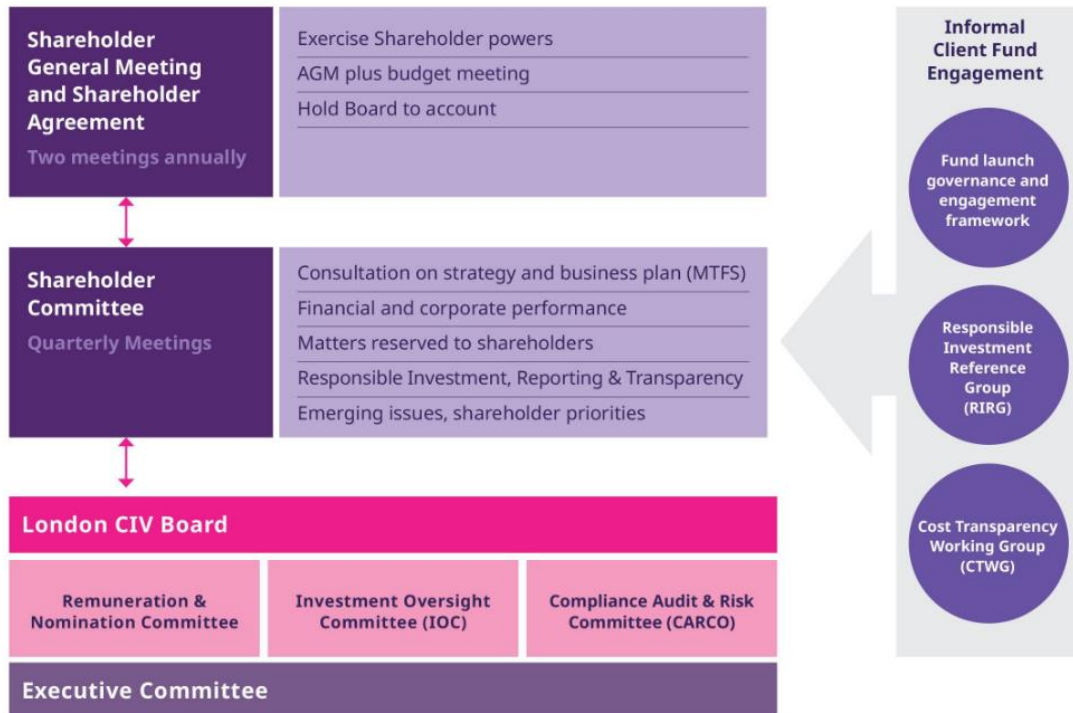
London CIV

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.



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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:

- 2 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.
- 2 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

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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: hillingdon.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.	<ul style="list-style-type: none"> • 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	<ul style="list-style-type: none"> • 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	<ul style="list-style-type: none"> • 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	<ul style="list-style-type: none"> • 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	<ul style="list-style-type: none"> • 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:

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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
b. 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		
a. 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	
b. 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		
a. 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		
a. 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	
b. 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	

<p>c. That the administering authority considers the adoption of annual training plans for committee members and maintains a log of all such training undertaken.</p>	<p>Compliant</p>	<p>Following a needs assessment and workplan a training plan is developed. A training log is maintained.</p>
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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
<p>Investment strategy - approving the Fund's Investment Strategy Statement including specific liability profile and risk appetite.</p> <p>Monitoring the implementation of these policies and strategies on an ongoing basis.</p>	<p>Rebalancing and cash management</p> <p>Implementation of strategic allocation</p>	<p>CDF (having regard to ongoing advice of advisers)</p>	<p>High level monitoring at PC with more detailed monitoring by CDF</p>
<p>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.</p>	<p>Ongoing monitoring of Fund Managers</p>	<p>CDF (having regard to ongoing advice of advisers and subject to ratification by PC)</p>	<p>High level monitoring at PC with more detailed monitoring by advisers</p>

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



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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

London Borough of Hillingdon, Civic Centre, High Street, Uxbridge, UB8 1UW
 E-mail - jlake@hillingdon.gov.uk
 Telephone - 01895 277562

Hillingdon Pension Fund Outline Audit planning report

Year ending 31 March 2024

April 2024

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18 April 2024

Audit Committee
London Borough of Hillingdon
Uxbridge
UB8 1UW Address

Dear Audit Committee Members

Outline Audit Planning Report

Attached is our Outline Audit Planning Report for the forthcoming meeting of the Audit Committee. The purpose of this report is to provide the Audit Committee of Hillingdon Pension Fund (the Fund) with a basis to review our proposed audit approach and scope for the 2023/24 audit, in accordance with the requirements of the Local Audit and Accountability Act 2014, the National Audit Office's 2020 Code of Audit Practice, the Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA) Ltd, auditing standards and other professional requirements, but also to ensure that our audit is aligned with the Audit Committee's service expectations.

We have not yet fully completed our planning at the date of issue of this report and therefore this is an outline plan. If there are any changes to the risks we have identified or our planned response to these risks, once we have fully concluded our planning, we will update the Committee.

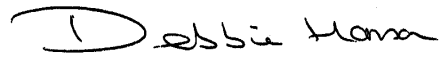
This report summarises our initial assessment of the key risks driving the development of an effective audit for the Fund. We have aligned our audit approach and scope with these.

The Audit Committee, as the Fund's body charged with governance, has an essential role in ensuring that it has assurance over both the quality of the draft financial statements prepared by management and the Fund's wider arrangements to support the delivery of a timely and efficient audit. Where this is not done it will impact the level of resource needed to discharge our responsibilities.

We draw Audit Committee members and officers attention to the Public Sector Audit Appointment Limited's Statement of Responsibilities (paragraphs 26-28) which clearly set out what is expected of audited bodies in preparing their financial statements (see Appendix A).

This report is intended solely for the information and use of the Audit Committee, and management, and is not intended to be and should not be used by anyone other than these specified parties. We welcome the opportunity to discuss this report with you on 30 April 2024 as well as understand whether there are other matters which you consider may influence our audit.

Yours faithfully

A handwritten signature in black ink that reads "Debbie Hanson". The signature is written in a cursive style with a large, looped initial "D".

Debbie Hanson

Partner

For and on behalf of Ernst & Young LLP

Enc

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Public Sector Audit Appointments Ltd (PSAA) issued the "Statement of responsibilities of auditors and audited bodies". It is available from the PSAA website (<https://www.psa.co.uk/managing-audit-quality/statement-of-responsibilities-of-auditors-and-audited-bodies/statement-of-responsibilities-of-auditors-and-audited-bodies-from-2023-24-audits/>). The Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas.

The "Terms of Appointment and further guidance (updated July 2021)" issued by the PSAA (<https://www.psa.co.uk/managing-audit-quality/terms-of-appointment/terms-of-appointment-and-further-guidance-1-july-2021/>) sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and in legislation, and covers matters of practice and procedure which are of a recurring nature.

This report is made solely to the Audit Committee and management of Hillingdon Pension Fund. Our work has been undertaken so that we might state to the Audit Committee and management of Hillingdon Pension Fund those matters we are required to state to them in this report and for no other purpose. To the fullest extent permitted by law we do not accept or assume responsibility to anyone other than the Audit Committee and management of Hillingdon Pension Fund for this report or for the opinions we have formed. It should not be provided to any third-party without our prior written consent.



01 Overview of our 2023/24 audit strategy

Overview of our 2023/24 audit strategy

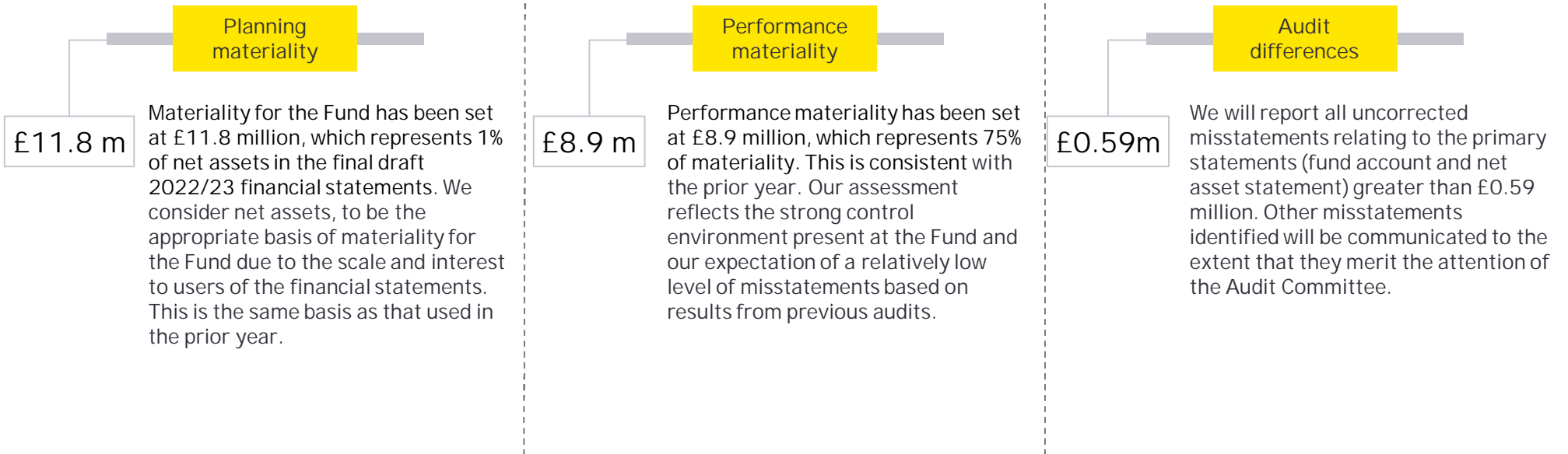
The following 'dashboard' summarises the significant accounting and auditing matters outlined in this report. It seeks to provide the Audit Committee with an overview of our initial risk identification for the upcoming audit and any changes in risks identified in the current year. We continue to assess risk throughout the audit. We will bring any changes in our risk assessment to the attention of the Audit Committee.

Audit risks and areas of focus

Risk / area of focus	Risk identified	Change from PY	Details
Misstatements due to fraud or error	Fraud risk	No change in risk, but change in focus	<p>As identified in ISA 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that would otherwise appear to be operating effectively. We perform mandatory procedures to address this risk regardless of specifically identified fraud risks.</p> <p>In the prior year, we identified the risk of manipulation of investment income and valuation as the most likely way management would seek to override controls and presented this as a specific fraud risk. In the current year, we have associated the specific risk to investment income only as we consider that this is more susceptible to manipulation than investment valuation.</p>
Valuation of level 3 (complex) investments	Significant risk	No change in risk or focus	<p>We consider the valuation of level 3 (complex) investments to be a significant risk due to the unobservable inputs making up the valuations. Significant judgements are made by the investment managers to value these investments whose prices are not publicly available. The value of investments valued at level 3 as at 31-3-23 was £245m.</p> <p>The Fund's private debt investments are categorised as being at level 3 in the fair value hierarchy. This is due to the uncertainty associated with the valuation of such investments where the valuations are not based on observable inputs.</p>
Classification of level 2 and level 3 investments.	Significant risk	Increase in risk no change in focus	<p>In 2022/23, our audit of fair value hierarchies of the Pension Fund's assets identified an error in the classification of investments which resulted in £64 million of investments being reclassified from level 2 to level 3. There was a similar error in the 2021/22 year of £47 million. As a result of these errors, we have increased this risk from an inherent risk in the prior year to a significant risk in 2022/23. There is an element of judgment in the fair value hierarchy classification and we will therefore scrutinise and challenge the Pension Fund's classifications in the current year.</p>
IAS 26 - Actuarial present value of promised retirement benefits	Inherent risk	No change in risk or focus	<p>We consider the valuation of IAS 26 disclosures to have a higher degree of inherent risk because of the level of estimation uncertainty resulting from the calculation using a number of underlying assumptions. The actuary is required to make assumptions on salary increases, discount rates, pension rates, scheme member longevity and other variables.</p>

Overview of our 2023/24 audit strategy

Materiality



Overview of our 2023/24 audit strategy

Audit scope

This Outline Audit Planning Report covers the work that we plan to perform to provide you with:

- Our audit opinion on whether the financial statements of the Fund give a true and fair view of the financial transactions of the Fund during the year ended 31 March 2024 and the amount and disposition at that date of its assets and liabilities for 2023/24.
- Our opinion on the consistency of the Fund financial statements within the Fund annual report with the published financial statements of the London Borough of Hillingdon.

Our audit will also include the mandatory procedures that we are required to perform in accordance with applicable laws and auditing standards.

When planning the audit we take into account several key inputs:

- Strategic, operational and financial risks relevant to the financial statements;
- Developments in financial reporting and auditing standards;

The quality of systems and processes;

Changes in the business and regulatory environment; and,

Management's views on all of the above.

By considering these inputs, our audit is focused on the areas that matter and our feedback is more likely to be relevant to the Fund.

Taking the above into account, and as articulated in this Outline Audit planning report, our professional responsibilities require us to independently assess the risks associated with providing an audit opinion and undertake appropriate procedures in response to those risks. Our Terms of Appointment with PSAA allow them to vary the fee dependent on "the auditors assessment of risk and the work needed to meet their professional responsibilities". Therefore to the extent any of these or any other risks are relevant in the context of the Fund's audit, we set those within this Outline Audit planning report and we will continue to discuss these with management as to the impact on the scale fee.


Effects of climate-related matters on financial statements

Public interest in climate change is increasing. We are mindful that climate-related risks may have a long timeframe and therefore while risks exist, the impact on the current period financial statements may not be immediately material to the Fund. It is, nevertheless, important to understand the relevant risks to make this evaluation. In addition, understanding climate-related risks may be relevant in the context of qualitative disclosures in the notes to the financial statements.

We make inquiries regarding climate-related risks on every audit as part of understanding the entity and its environment. As we re-evaluate our risk assessments throughout the audit, we continually consider the information that we have obtained to help us assess the level of inherent risk.

Audit scope and approach

We intend to take a substantive audit approach.



Overview of our 2023/24 audit strategy

Audit team

The audit will be led by Debbie Hanson as the Partner in Charge. Debbie will be supported by Ruth Plucknett, Manager, and Josna Jose, Lead Senior. See Section 05 for further details of the audit team and the areas where management and EY specialists are expected to provide input for the current year audit.

Timeline

Details of the planned timeline for delivery of the audit are set out in Section 06.

We expect to have fully completed our risk assessment and work to walkthrough the Fund's key systems and processes, including work to comply with the enhanced requirements of ISA (UK) 315 (Revised), by the end of April 2024.

Our detailed testing of balances and disclosure in the financial statements is expected to be complete by the end of October 2024. Our reporting and presentation to you of our final Audit Results Report is however yet to be confirmed, as we need to take into account the Department for Levelling-up, Housing and Communities (DLUHC) and Financial Reporting Council (FRC) measures to address local audit delays, and the associated impact on the Council and Pension Fund audits.



02 Audit risks

Our response to significant risks

We have set out the significant risks (including fraud risks denoted by*) identified for the current year audit along with the rationale and expected audit approach. The risks identified below may change to reflect any significant findings or subsequent issues we identify during the audit.

Misstatements
due to fraud or
error*

What is the risk?

The financial statements as a whole are not free of material misstatements whether caused by fraud or error.

As identified in ISA (UK) 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.

We identify and respond to this fraud risk on every audit engagement.

What will we do?

We will undertake our standard procedures to address fraud risk, which include:

- Inquiry of management about risks of fraud and the controls put in place to address those risks.
- Understanding the oversight given by those charged with governance of management's processes over fraud.
- Consideration of the effectiveness of management's controls designed to address the risk of fraud.

Performing mandatory procedures regardless of specifically identified fraud risks, including:

- Testing the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements.
- Assessing accounting estimates for evidence of management bias.
- Evaluating the business rationale for any significant unusual transactions.

We will utilise our data analytics capabilities to assist with our work.

We have identified the risk of manipulation of investment income as the most likely way management would seek to override controls. Our approach will focus on testing to confirm that investment income provided through the custodian and fund managers is appropriately journalled into the financial statements.

Our response to significant risks (cont'd)

Valuation of level 3 (complex) investments

What is the risk?

We consider the valuation of level 3 (complex) investments to be of a higher degree of inherent risk due to the unobservable inputs making up the valuations. Significant judgements are made by the investment managers or administrators to value these investments whose prices are not publicly available. The value of investments valued at level 3 as at 31-3-23 was £245m.

The Fund's private debt and infrastructure investments are categorised as being at level 3 in the fair value hierarchy.

What will we do?

We will:

- Assess the competence of valuation experts through review and analysis of ISAE 3402 internal control reports issued on the fund managers and the custodian;
- Where the ISAE 3402 reports are not issued at 31 March 2024, we will obtain and review bridging letters;
- Review the control reports for any issues or qualifications which impact the valuation controls over the funds.
- Review the basis of valuation for property investments and other unquoted investments, assessing the appropriateness of the valuation methods used;
- Where available, review the latest audited accounts for the relevant underlying investment funds and compare the net asset values with the valuation of the assets in the accounts of the Fund. We will also ensure there are no matters arising that highlight weaknesses in the Fund's valuation;
- If the latest audited accounts are issued at a different date compared to the reporting date of the Fund, we will perform roll forward procedures to support the valuation of the investments as of 31 March 2024, such as benchmark indexation for similar assets and analysis of cash movements in the gap period and understand what the Pension Fund has done to assess how the valuations are still materially correct as at 31 March 2024; and
- Perform analytical procedures by checking the valuation output for reasonableness against our own expectations.

Our response to significant risks (cont'd)

Classification of level 2 and level 3 investments

What is the risk?

The classification of investments using the fair value hierarchy requires the accurate identification of observable and unobservable inputs and requires a high level of professional judgement,

We have identified errors in the fair value hierarchies of the pension fund assets in the last two years of audit. In 2022/23 the error was £64 million of investments reclassified from level 2 to level 3 and in 2021/22 it was £47.8 million.

We have, as a result, raised this from an inherent risk to a significant risk.

What will we do?

We will:

- Gain an understanding of the Pension Fund's approach to classification and the nature of its investments.
- Assess the significance of market inputs used in the hierarchy valuation as well as the sources of the inputs.
- Confirm the basis of the valuation of each class of investment asset and assess whether it is appropriate
- Obtain quoted prices directly from independent sources and compare these with the Pension Fund's assessment of observable market inputs (bid market price, current yields, and closing bid price) to confirm correct classification.
- Test accounting entries have been correctly processed in the financial statements.

Other areas of audit focus

We have identified other areas of the audit, that have not been classified as significant risks, but are still important when considering the risks of material misstatement to the financial statements and disclosures and therefore may be key audit matters we will include in our audit report.

What is the risk/area of focus, and the key judgements and estimates?

IAS 26 (inherent risk)

We consider the valuation of IAS 26 to be of a higher degree of inherent risk because of the level of estimation uncertainty resulting from the calculation using a number of underlying assumptions. The actuary is required to make assumptions on salary increases, discount rates, pension rates, scheme member longevity and other variables.

Our response: Key areas of challenge and professional judgement

We will:

- Assess the competence of management experts, Hymans Robertson;
- Engage with the NAO's consulting actuary and our EY Pensions team to review whether the IAS26 approach applied by the actuary is reasonable and compliant with IAS26;
- Leverage the work of EY Pensions undertaken as part of the London Borough of Hillingdon to create an auditor's estimate for the pension liability, to gain assurance over the process and assumptions used to estimate the present value of future retirement benefits; and
- Ensure that the IAS26 disclosure is in line with the relevant standards and consistent with the valuation provided by the actuary.



03 Audit materiality

Materiality

Fund Materiality

For planning purposes, materiality for 2023/24 has been set at £11.8 million. This represents 1% of the Fund's net assets in the draft 2022/23 financial statements. We consider net assets to be the appropriate basis of materiality for the Fund due to the scale and interest to users of the financial statements. We have provided supplemental information about audit materiality in Appendix D.

Net Assets
£1,185m

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We request that the Audit Committee confirm their understanding of, and agreement to, these materiality and reporting levels.

Key definitions

Planning materiality – the amount over which we anticipate misstatements would influence the economic decisions of a user of the financial statements.

Performance materiality – the amount we use to determine the extent of our audit procedures. We have set performance materiality at 75% of planning materiality. This is based on our expectation of few misstatements for the audit.

Audit difference threshold – we propose that misstatements identified below this threshold are deemed clearly trivial. We will report to you all uncorrected misstatements over this amount.

Other uncorrected misstatements, such as reclassifications and misstatements in the disclosures and corrected misstatements will be communicated to the extent that they merit the attention of the Audit Committee, or are important from a qualitative perspective.



04 Scope of our audit

Audit process and strategy

Objective and Scope of our Audit scoping

Under the Code of Audit Practice, our principal objectives are to undertake work to support the provision of our audit report to the audited body and to satisfy ourselves that the audited body has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources to the extent required by the relevant legislation and the requirements of the Code.

We issue an audit report that covers:

Our opinion on the financial statements:

- whether the financial statements give a true and fair view of the financial transactions of the Fund during the year ended 31 March 2024 and the amount and disposition at that date of its assets and liabilities for 2023/24; and
- whether the financial statements have been prepared properly in accordance with the relevant accounting and reporting framework as set out in legislation, applicable accounting standards or other direction.

Consistency statement:

- Our opinion on the consistency of the Fund financial statements within the Fund annual report with the published financial statements of London Borough of Hillingdon Council.

Our opinion on other matters:

- whether other information published together with the audited financial statements is consistent with the financial statements.

We are also required to discharge our statutory duties and responsibilities as established by the Local Audit and Accountability Act 2014 and Code of Audit Practice.

Procedures required by standards

- Addressing the risk of fraud and error;
- Significant disclosures included in the financial statements;
- Entity-wide controls;
- Reading other information contained in the financial statements and reporting whether it is inconsistent with our understanding and the financial statements; and
- Auditor independence.

Audit process and strategy

Audit Process Overview

Our audit involves:

- ▶ Identifying and understanding the key processes and internal controls;
- ▶ Substantive tests of detail of transactions and amounts;
- ▶ Reliance on the work of other auditors where appropriate; and
- ▶ Reliance on the work of experts in relation to areas such as disclosures based on actuarial reports.

Our initial assessment of the key processes across the Fund has not identified any processes where we will seek to test key controls, either manual or IT. Our audit strategy will, as in previous years, follow a fully substantive approach. This will involve testing the figures within the financial statements rather than looking to place reliance on the controls within the financial systems. We assess this as the most efficient way of carrying out our work and obtaining the level of audit assurance required to conclude that the financial statements are not materially misstated.

Analytics

We will use our computer-based analytics tools to enable us to capture whole populations of your financial data, in particular journal entries. These tools:

- ▶ Help identify specific exceptions and anomalies which can then be subject to more traditional substantive audit tests; and
- ▶ Give greater likelihood of identifying errors than random sampling techniques.

We will report the findings from our process and analytics work, including any significant weaknesses or inefficiencies identified and recommendations for improvement, to management and the Audit Committee.

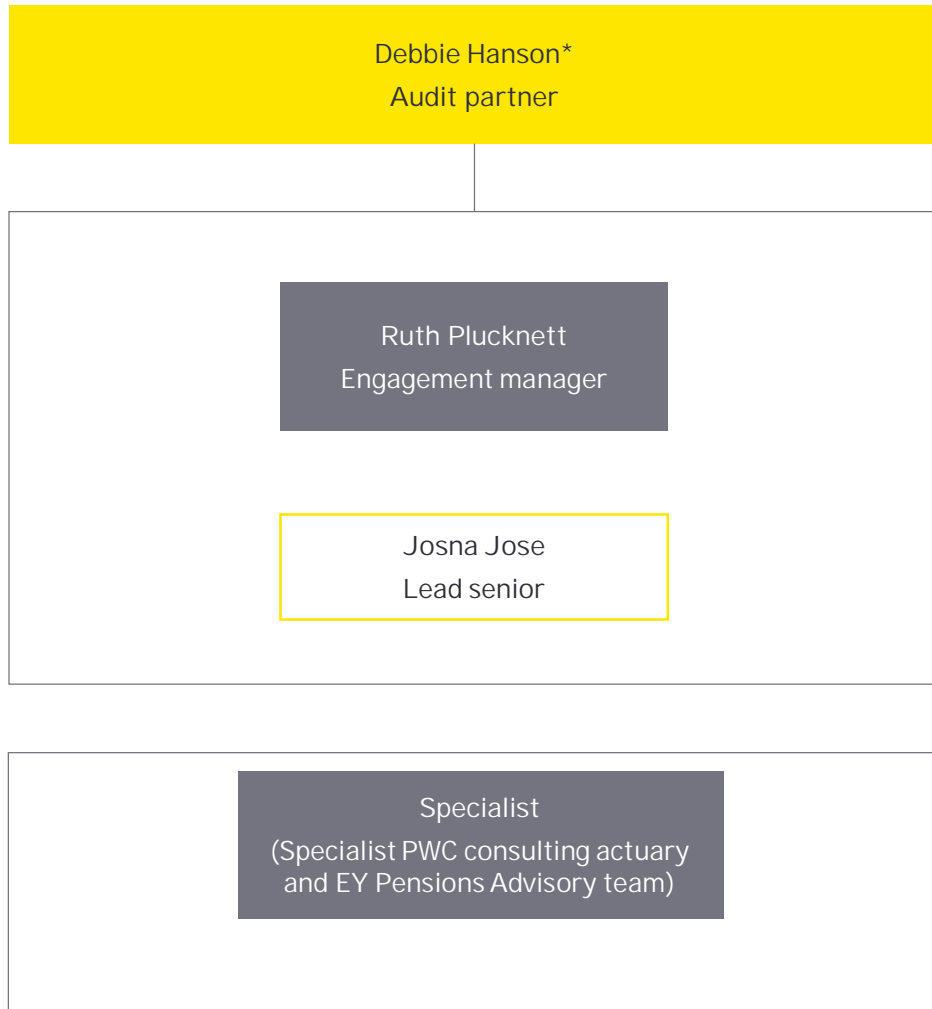
Internal Audit

We will review Internal Audit plans and the results of their work. We will reflect the findings from these reports, together with reports from any other work completed in the year, where they raise issues that could have an impact on the financial statements.



05 Audit team

Audit team



* Key Audit Partner

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Use of specialists

When auditing key judgements, we are often required to use the input and advice provided by specialists who have qualifications and expertise not possessed by the core audit team. The areas where management and EY specialists are expected to provide input for the current year audit are:

Area	Specialists
IAS 26 disclosure	Management Specialist - Hymans Robertson EY Specialist - PwC (Consulting Actuary to the NAO on behalf of audit providers) and EY Pensions Advisory Team

In accordance with Auditing Standards, we will evaluate each specialist's professional competence and objectivity, considering their qualifications, experience and available resources, together with the independence of the individuals performing the work.

We also consider the work performed by the specialist in light of our knowledge of the Fund's business and processes and our assessment of audit risk in the particular area. For example, we would typically perform the following procedures:

- ▶ Analyse source data and make inquiries as to the procedures used by the specialist to establish whether the source data is relevant and reliable
- ▶ Assess the reasonableness of the assumptions and methods used
- ▶ Consider the appropriateness of the timing of when the specialist carried out the work
- ▶ Assess whether the substance of the specialist's findings are properly reflected in the financial statements



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06

Audit timeline

Timetable of communication and deliverables

Timeline

Below is a draft timetable showing the key stages of the audit and the deliverables we have agreed to provide to you through the audit cycle in 2023/24.

From time to time matters may arise that require immediate communication with the Audit Committee and we will discuss them with the Audit Committee Chair as appropriate. We will also provide updates on corporate governance and regulatory matters as necessary.

Audit phase	2024 Timetable	Deliverables
Planning: Risk assessment and setting of scopes	March/April	This Audit Planning Report to be presented to the 30 April 2024 meeting of the Audit Committee.
Walkthrough of key systems and processes	March/April	
Execution of audit procedures on the financial statements	September - October	
Audit completion procedures	November *	Audit Results Report shared with management and, in turn, the Audit Committee.
Audit conclusion	November *	Audit opinion and completion certificates. The Auditor's Annual Report to bring together all of our work's over the year. This will be a joint report with the London Borough of Hillingdon

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* The final timetable is yet to be confirmed as we need to take into account the Department for Levelling-up, Housing and Communities (DLUHC) and Financial Reporting Council (FRC) measures to address local audit delays, and the consequent impact on the Council and Pension Fund audits.



07

Independence

Introduction

The FRC Ethical Standard and ISA (UK) 260 'Communication of audit matters with those charged with governance', requires us to communicate with you on a timely basis on all significant facts and matters that bear upon our integrity, objectivity and independence. The Ethical Standard, as revised in December 2019, requires that we communicate formally both at the planning stage and at the conclusion of the audit, as well as during the course of the audit if appropriate. The aim of these communications is to ensure full and fair disclosure by us to those charged with your governance on matters in which you have an interest.

Required communications

Planning stage

- ▶ The principal threats, if any, to objectivity and independence identified by Ernst & Young (EY) including consideration of all relationships between you, your affiliates and directors and us;
- ▶ The safeguards adopted and the reasons why they are considered to be effective, including any Engagement Quality review;
- ▶ The overall assessment of threats and safeguards;
- ▶ Information about the general policies and process within EY to maintain objectivity and independence.

Final stage

- ▶ In order for you to assess the integrity, objectivity and independence of the firm and each covered person, we are required to provide a written disclosure of relationships (including the provision of non-audit services) that may bear on our integrity, objectivity and independence. This is required to have regard to relationships with the entity, its directors and senior management, its affiliates, and its connected parties and the threats to integrity or objectivity, including those that could compromise independence that these create. We are also required to disclose any safeguards that we have put in place and why they address such threats, together with any other information necessary to enable our objectivity and independence to be assessed;
- ▶ Details of non-audit/additional services provided and the fees charged in relation thereto;
- ▶ Written confirmation that the firm and each covered person is independent and, if applicable, that any external experts used have confirmed their independence to us;
- ▶ Details of any non-audit/additional services to a UK PIE audit client where there are differences of professional opinion concerning the engagement between the Ethics Partner and Engagement Partner and where the final conclusion differs from the professional opinion of the Ethics Partner
- ▶ Details of any inconsistencies between FRC Ethical Standard and your policy for the supply of non-audit services by EY and any apparent breach of that policy;
- ▶ Details of all breaches of the IESBA Code of Ethics, the FRC Ethical Standard and professional standards, and of any safeguards applied and actions taken by EY to address any threats to independence; and
- ▶ An opportunity to discuss auditor independence issues.

In addition, during the course of the audit, we are required to communicate with you whenever any significant judgements are made about threats to objectivity and independence and the appropriateness of safeguards put in place, for example, when accepting an engagement to provide non-audit services.

We ensure that the total amount of fees that EY and our network firms have charged to you and your affiliates for the provision of services during the reporting period, analysed in appropriate categories, are disclosed.

Relationships, services and related threats and safeguards

We highlight the following significant facts and matters that may be reasonably considered to bear upon our objectivity and independence, including the principal threats, if any. We have adopted the safeguards noted below (where applicable) to mitigate these threats along with the reasons why they are considered to be effective. However we will only perform non-audit services if the service has been pre-approved in accordance with your policy.

Overall Assessment

Overall, we consider that the safeguards that have been adopted appropriately mitigate the principal threats identified and we therefore confirm that EY is independent and the objectivity and independence of Debbie Hanson, your audit engagement partner, and the audit engagement team have not been compromised.

Self interest threats

A self interest threat arises when EY has financial or other interests in the Fund. Examples include where we have an investment in the Fund; where we receive significant fees in respect of non-audit services; where we need to recover long outstanding fees; or where we enter into a business relationship with you. At the time of writing, there are no long outstanding fees.

We believe that it is appropriate for us to undertake those permitted non-audit/additional services set out in Section 5.40 of the FRC Ethical Standard 2019 (FRC ES), and we will comply with the policies that you have approved.

None of the services are prohibited under the FRC's ES and the services have been approved in accordance with your policy on pre-approval. In addition, when the ratio of non-audit fees to audit fees exceeds 1:1, we are required to discuss this with our Ethics Partner, as set out by the FRC ES, and if necessary agree additional safeguards or not accept the non-audit engagement. We will also discuss this with you.

At the time of writing, there are no non-audit fees associated with Hillingdon Pension Fund. No additional safeguards are required.

A self interest threat may also arise if members of our audit engagement team have objectives or are rewarded in relation to sales of non-audit services to you. We confirm that no member of our audit engagement team, including those from other service lines, has objectives or is rewarded in relation to sales to you, in compliance with Ethical Standard part 4. There are no other self interest threats at the date of this report.

Self review threats

Self review threats arise when the results of a non-audit service performed by EY or others within the EY network are reflected in the amounts included or disclosed in the financial statements.

There are no self review threats at the date of this report.

Management threats

Partners and employees of EY are prohibited from taking decisions on behalf of management of your company. Management threats may also arise during the provision of a non-audit service in relation to which management is required to make judgements or decision based on that work.

There are no management threats at the date of this report.

Other threats

Other threats, such as advocacy, familiarity or intimidation, may arise.

There are no other threats at the date of this report.



Other communications

EY Transparency Report 2023

EY has policies and procedures that instil professional values as part of firm culture and ensure that the highest standards of objectivity, independence and integrity are maintained. Details of the key policies and processes in place within EY for maintaining objectivity and independence can be found in our annual Transparency Report which the firm is required to publish by law. The most recent version of this Report is for the period ended 30 June 2023 and can be found here: [EY UK 2023 Transparency Report](#).



08 Appendices

Appendix A – PSAA Statement of Responsibilities

As set out on the next page our fee is based on the assumption that the Fund complies with PSAA's Statement of Responsibilities of auditors and audited bodies. See <https://www.psa.co.uk/managing-audit-quality/statement-of-responsibilities-of-auditors-and-audited-bodies/statement-of-responsibilities-of-auditors-and-audited-bodies-from-2023-24-audits/>. In particular the Fund should have regard to paragraphs 26-28 of the Statement of Responsibilities which clearly set out what is expected of audited bodies in preparing their financial statements. We set out these paragraphs in full below:

Preparation of the statement of accounts

26. Audited bodies are expected to follow Good Industry Practice and applicable recommendations and guidance from CIPFA and, as applicable, other relevant organisations as to proper accounting procedures and controls, including in the preparation and review of working papers and financial statements.

27. In preparing their statement of accounts, audited bodies are expected to:

- prepare realistic plans that include clear targets and achievable timetables for the production of the financial statements;*
- ensure that finance staff have access to appropriate resources to enable compliance with the requirements of the applicable financial framework, including having access to the current copy of the CIPFA/LASAAC Code, applicable disclosure checklists, and any other relevant CIPFA Codes.*
- assign responsibilities clearly to staff with the appropriate expertise and experience;*
- provide necessary resources to enable delivery of the plan;*
- maintain adequate documentation in support of the financial statements and, at the start of the audit, providing a complete set of working papers that provide an adequate explanation of the entries in those financial statements including the appropriateness of the accounting policies used and the judgements and estimates made by management;*
- ensure that senior management monitors, supervises and reviews work to meet agreed standards and deadlines;*
- ensure that a senior individual at top management level personally reviews and approves the financial statements before presentation to the auditor; and*
- during the course of the audit provide responses to auditor queries on a timely basis.*

28. If draft financial statements and supporting working papers of appropriate quality are not available at the agreed start date of the audit, the auditor may be unable to meet the planned audit timetable and the start date of the audit will be delayed.

Appendix B – Fees



The duty to prescribe fees is a statutory function delegated to Public Sector Audit Appointments Ltd (PSAA) by the Secretary of State for Housing, Communities and Local Government.

This is defined as the fee required by auditors to meet statutory responsibilities under the Local Audit and Accountability Act 2014 in accordance with the requirements of the Code of Audit Practice and supporting guidance published by the National Audit Office, the financial reporting requirements set out in the Code of Practice on Local Authority Accounting published by CIPFA/LASAAC, and the professional standards applicable to auditors' work.

As part of our reporting on our independence, we set out here a summary of the expected fees for the year ended 31 March 2024.

Scale fee variations are agreed when we incur work in addition to the planned level of work built into the scale fee.

	Current Year 2023/24	Prior Year 2022/23
	Proposed fee £	Proposed fee £
Scale Fee – Code work	81,688	24,954
Scale Fee Variation – Note 1	0	8,784
Requested rebased fee sub-total	81,688	33,738
Additional fee for the provision of IAS 19 assurance letters – Note 2	6,500	0
Additional fee with respect to testing of triennial membership data submissions – Note 3	0	8,700
Additional specific in year risks – Note 4	TBC	20,000 to £30,000
Total fees		tbc

All fees exclude VAT

Note 1 – In order to meet regulatory and compliance audit requirements not present at the time of PSAA awarding the audit contract for audits up to and including the 2022/23 financial year, we assessed that the recurrent cost of additional requirements to carry out our 2022/23 audit should increase to £33,738. PSAA have increased the base scale fee, but in our view this still does not fully cover the additional work required and we will therefore be submitting a further proposed increase to PSAA for 2022/23 for their determination. This does not apply for 2023/24.

Note 2 – We plan to charge an additional fee in relation to the work required to respond to IAS19 assurance requests from admitted body auditors for 2021/22 and 2023/24. As the audit of the London Borough of Hillingdon for 2022/23 is not currently planned to be undertaken, we have not been asked to provide similar assurances for 2022/23.

Note 3 – We will charge an additional fee in 2022/23 with respect to detailed testing of the triennial membership submission to the actuary. This work is only required every three years

Note 4 – we have identified a number of specific in year risks in this Plan and further issues may be identified through our audit which require additional work and therefore fee. We will identify any such issues throughout our audit and report these to management and submit any resulting additional fees to PSAA for determination once the audit is concluded. ISA 315 in particular is likely to result in an additional fee, as this is not currently reflected in the PSAA scale fee. The fee for this is likely to be in the range of £4,000 to £6,000

Appendix C – Required communications with the Audit Committee

We have detailed the communications that we must provide to the Audit Committee.

Our Reporting to you

Required communications	What is reported?	When and where
Terms of engagement	Confirmation by the Audit Committee of acceptance of terms of engagement as written in the engagement letter signed by both parties.	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies.
Our responsibilities	Reminder of our responsibilities as set out in the engagement letter.	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies.
Planning and audit approach	<p>Communication of:</p> <ul style="list-style-type: none"> ▶ The planned scope and timing of the audit ▶ Any limitations on the planned work to be undertaken ▶ The planned use of internal audit ▶ The significant risks identified <p>When communicating key audit matters this includes the most significant risks of material misstatement (whether or not due to fraud) including those that have the greatest effect on the overall audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team.</p>	Outline Audit planning report – April 2024
Significant findings from the audit	<ul style="list-style-type: none"> ▶ Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures ▶ Significant difficulties, if any, encountered during the audit ▶ Significant matters, if any, arising from the audit that were discussed with management ▶ Written representations that we are seeking ▶ Expected modifications to the audit report ▶ Other matters if any, significant to the oversight of the financial reporting process 	Audit results report – November 2024

Appendix C – Required communications with the Audit Committee (cont'd)

Our Reporting to you

Required communications	What is reported?	When and where
Going concern	<p>Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including:</p> <ul style="list-style-type: none"> ▶ Whether the events or conditions constitute a material uncertainty ▶ Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements ▶ The adequacy of related disclosures in the financial statements 	Audit results report – November 2024
Misstatements	<ul style="list-style-type: none"> ▶ Uncorrected misstatements and their effect on our audit opinion, unless prohibited by law or regulation ▶ The effect of uncorrected misstatements related to prior periods ▶ A request that any uncorrected misstatement be corrected ▶ Material misstatements corrected by management 	Audit results report – November 2024
Subsequent events	<ul style="list-style-type: none"> ▶ Enquiries of the Audit Committee where appropriate regarding whether any subsequent events have occurred that might affect the financial statements 	Audit results report – November 2024
Fraud	<ul style="list-style-type: none"> ▶ Enquiries of the Audit Committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the entity ▶ Any fraud that we have identified or information we have obtained that indicates that a fraud may exist ▶ Unless all of those charged with governance are involved in managing the entity, any identified or suspected fraud involving: <ol style="list-style-type: none"> a. Management; b. Employees who have significant roles in internal control; or c. Others where the fraud results in a material misstatement in the financial statements ▶ The nature, timing and extent of audit procedures necessary to complete the audit when fraud involving management is suspected ▶ Any other matters related to fraud, relevant to Audit Committee responsibility 	Audit results report – November 2024

Appendix C – Required communications with the Audit Committee (cont'd)

Our Reporting to you

Required communications	What is reported?	When and where
Related parties	<ul style="list-style-type: none"> ▶ Significant matters arising during the audit in connection with the entity's related parties including, when applicable: ▶ Non-disclosure by management ▶ Inappropriate authorisation and approval of transactions ▶ Disagreement over disclosures; ▶ Non-compliance with laws and regulations ▶ Difficulty in identifying the party that ultimately controls the entity 	Audit results report – November 2024
Independence	<p>Communication of all significant facts and matters that bear on EY's, and all individuals involved in the audit, objectivity and independence</p> <p>Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as:</p> <ul style="list-style-type: none"> ▶ The principal threats ▶ Safeguards adopted and their effectiveness ▶ An overall assessment of threats and safeguards ▶ Information about the general policies and process within the firm to maintain objectivity and independence <p>Communication whenever significant judgements are made about threats to objectivity and independence and the appropriateness of safeguards put in place.</p>	<p>Outline Audit planning report – April 2024</p> <p>Audit results report – November 2024</p>

Appendix C – Required communications with the Audit Committee (cont'd)

Our Reporting to you

Required communications	What is reported?	When and where
External confirmations	<ul style="list-style-type: none"> ▶ Management's refusal for us to request confirmations ▶ Inability to obtain relevant and reliable audit evidence from other procedures 	Audit results report – November 2024
Consideration of laws and regulations	<ul style="list-style-type: none"> ▶ Subject to compliance with applicable regulations, matters involving identified or suspected non-compliance with laws and regulations, other than those which are clearly inconsequential and the implications thereof. Instances of suspected non-compliance may also include those that are brought to our attention that are expected to occur imminently or for which there is reason to believe that they may occur ▶ Enquiry of the Audit Committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the Audit Committee may be aware of 	Audit results report – November 2024
Internal controls	<ul style="list-style-type: none"> ▶ Significant deficiencies in internal controls identified during the audit 	Audit results report – November 2024
Representations	<ul style="list-style-type: none"> ▶ Written representations we are requesting from management and/or those charged with governance 	Audit results report – November 2024
Material inconsistencies and misstatements	<ul style="list-style-type: none"> ▶ Material inconsistencies or misstatements of fact identified in other information which management has refused to revise 	Audit results report – November 2024
Auditors report	<ul style="list-style-type: none"> ▶ Any circumstances identified that affect the form and content of our auditor's report 	Audit results report – November 2024
Fee reporting	<ul style="list-style-type: none"> ▶ Breakdown of fee information when the audit plan is agreed ▶ Breakdown of fee information at the completion of the audit ▶ Any non-audit work 	Outline Audit planning report – April 2024 Audit results report – November 2024

Appendix D – Additional audit information

Regulatory update

Our objective is to form an opinion on the Fund's financial statements under International Standards on Auditing (UK) as prepared by you in accordance with International Financial Reporting Standards as adopted by the UK, and as interpreted and adapted by the Code of Practice on Local Authority Accounting.

Our responsibilities in relation to the financial statement audit are set out in the formal terms of engagement between the PSAA's appointed auditors and audited bodies. We are responsible for forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of the Audit Committee. The audit does not relieve management or the Audit Committee of their responsibilities.

Other required procedures during the course of the audit

In addition to the key areas of audit focus outlined in section 2, we have to perform other procedures as required by auditing, ethical and independence standards, company law and other regulations. We outline the procedures below that we will undertake during the course of our audit.

Our responsibilities required by auditing standards

- ▶ Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion
- ▶ Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control
- ▶ Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management
- ▶ Concluding on the appropriateness of management's use of the going concern basis of accounting
- ▶ Evaluating the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation
- ▶ Obtaining sufficient appropriate audit evidence to express an opinion on the financial statements. Reading other information contained in the financial statements, the Audit Committee reporting appropriately addresses matters communicated by us to the Audit Committee and reporting whether it is materially inconsistent with our understanding and the financial statements
- ▶ Maintaining auditor independence

Appendix D – Additional audit information (cont'd)

Other required procedures during the course of the audit

Procedures required by the Audit Code

- Discharging our statutory duties and responsibilities as established by the Local Audit and Accountability Act 2014 and Code of Audit Practice
- Reviewing, and reporting on as appropriate, other information published with the financial statements.

We have included in Appendix C a list of matters that we are required to communicate to you under professional standards.

Purpose and evaluation of materiality

For the purposes of determining whether the accounts are free from material error, we define materiality as the magnitude of an omission or misstatement that, individually or in the aggregate, in light of the surrounding circumstances, could reasonably be expected to influence the economic decisions of the users of the financial statements. Our evaluation of it requires professional judgement and necessarily takes into account qualitative as well as quantitative considerations implicit in the definition. We would be happy to discuss with you your expectations regarding our detection of misstatements in the financial statements.

Materiality determines the level of work performed on individual account balances and financial statement disclosures.

The amount we consider material at the end of the audit may differ from our initial determination. At this stage, however, it is not feasible to anticipate all of the circumstances that may ultimately influence our judgement about materiality. At the end of the audit we will form our final opinion by reference to all matters that could be significant to users of the accounts, including the total effect of the audit misstatements we identify, and our evaluation of materiality at that date.

Appendix E - Non-Compliance with Laws and Regulations (NOCLAR)

Non-Compliance with Laws and Regulations includes:

Any act or suspected act of omission or commission (intentional or otherwise) by the entity (including any third parties under the control of the entity such as subsidiaries, those charged with governance or management or an employee acting on behalf of the company), either intentional or unintentional, which are contrary to the prevailing laws or regulations

Management Responsibilities:

"It is the responsibility of management, with the oversight of those charged with governance, to ensure that the entity's operations are conducted in accordance with the provisions of laws and regulations, including compliance with the provisions of laws and regulations that determine the reported amounts and disclosures in an entity's financial statements."

ISA 250A, para 3

"The directors' report must contain a statement to the effect that... so far as the director is aware, there is no relevant audit information of which the company's auditor is unaware, and he has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditor is aware of that information."

ISA 250A, para 3

"Management is responsible for communicating to us on a timely basis, to the extent that management or those charged with governance are aware, all instances of identified or suspected non-compliance with laws and regulations ..."

Audit Engagement Letter

Management's responsibilities are also set out in the International Ethics Standard Board of Accountants' International Code of Ethics (IESBA Code) Para 360.08

Auditor Responsibilities

[The International Ethics Standard Board of Accountants' International Code of Ethics \(IESBA Code\)](#) section 360 sets out the scope and procedures in relation to responding to actual or suspected non-compliance with laws and regulations.

Professional accountancy organisations who are members of the International Federation of Accountants (IFAC), such as the Institute of Chartered Accountants in England and Wales (ICAEW) are required to adopt the IESBA Code of Ethics.

We as your auditor are required to comply with the Code by virtue of our registration with ICAEW.

"If the auditor becomes aware of information concerning an instance of non-compliance or suspected non-compliance with laws and regulations, the auditor shall obtain:

An understanding of the nature of the act and the circumstances in which it has occurred; and Further information to evaluate the possible effect on the financial statements

The auditor shall evaluate the implications of the identified or suspected non-compliance in relation to other aspects of the audit, including the auditor's risk assessment and the reliability of written representations, and take appropriate action."

ISA 250A, paras 19 and 22

Examples of Non-Compliance with Laws and Regulations (NOCLAR)

Matter

- ▶ Suspected or known fraud or bribery
- ▶ Health and Safety incident
- ▶ Payment of an unlawful dividend
- ▶ Loss of personal data
- ▶ Allegation of discrimination in dismissal
- ▶ HMRC or other regulatory investigation
- ▶ Deliberate journal mis-posting or allegations of financial impropriety
- ▶ Transacting business with sanctioned individuals

Implication

- ▶ Potential fraud/breach of anti-bribery legislation
- ▶ Potential breach of section 2 of the Health and Safety at Work Act 1974
- ▶ Potential breach of Companies Act 2006
- ▶ Potential GDPR breach
- ▶ Potential non-compliance with employment laws
- ▶ Suspicion of non-compliance with laws/regulations
- ▶ Potential fraud / breach of Companies Act 2006
- ▶ Potential breach of sanctions regulations

Appendix E - Non-Compliance with Laws and Regulations (NOCLAR) (cont'd)

What are the implications of NOCLAR matters arising?

Depending on the nature and significance of the NOCLAR matter the following steps are likely to be required, involving additional input from both management and audit.

This can have an impact on overall achievability of audit timeline and fees.

Across our portfolio of audits we have seen a steady increase in NOCLAR matters that need to be addressed as part of the audit over the past 3 years



Management response:

Timely communication of the matter to auditors (within a couple of days)

Determine who will carry out any investigation into the matter – in-house or external specialists or mix of both

Scope the investigation, in discussion with the auditors

Evaluate findings and agree next steps

Determine effect on financial statements including disclosures

Prepare a paper, summarising the outcome of the investigation and management's conclusions

Communicate the outcome to Those Charged With Governance (TCWG) and to us as your auditors. Report to regulators where required.

Key Reminders:

- ▶ Make sure that all areas of the business are aware of what constitutes actual or potential non-compliance and associated requirements
- ▶ Communicate with us as your auditors on a timely basis – do not wait for scheduled audit catch-ups
- ▶ Engage external specialists where needed
- ▶ Ensure that your investigation assesses any wider potential impacts arising from the matter, not just the matter itself.
- ▶ Plan upfront and consider any impact on overall accounts preparation and audit timeline – discuss the implications with us as your auditor

Audit response:

Initial assessment of the NOCLAR matter and its potential impact

Initial consultation with risk team to determine responsive procedures and the involvement of specialists

Understand and agree scope of management's investigation with support from specialists as needed

Evaluate findings and undertake appropriate audit procedures

Determine audit related impact including accounting and disclosure and audit opinion implications

Document and consult on the outcome of our procedures

Communicate the outcome with management, TCWG and where necessary other auditors within the group or regulators

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