



HILLINGDON
LONDON



Pensions Committee

Date: TUESDAY 24 MARCH 2026

Time: 5.00 PM

Venue: COMMITTEE ROOM 5 -
CIVIC CENTRE

**Meeting
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to attend and observe the meeting.

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To Members of the Committee:

Reeta Chamdal (Chair)
Kaushik Banerjee (Vice-Chair)
Stuart Mathers
Labina Basit
Peter Smallwood

Published: Monday 16 March 2026

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Agenda

CHAIRMAN'S ANNOUNCEMENTS

- 1 Apologies for Absence
- 2 Declarations of Interest in matters coming before this meeting
- 3 Minutes of the meeting on 9 December 2025 1 - 6
- 4 To confirm that items marked Part I will be considered in public and those marked Part II will be considered in private

PART I - Members, Public and Press

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PART II - Members Only

That the reports in Part 2 of this agenda be declared not for publication because they involve the disclosure of information in accordance with Section 100(A) and Part 1 of Schedule 12 (A) to the Local Government Act 1972 (as amended), in that they contain exempt information and that the public interest in withholding the information outweighs the public interest in disclosing it.

- | | | |
|-----------|--|-----------|
| 13 | Approve restricted minutes from meeting on 24 September 2025 | 413 - 418 |
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Minutes

PENSIONS COMMITTEE

9 December 2025



Meeting held at Committee Room 5 - Civic Centre

	<p>Committee Members Present: Councillors Reeta Chamdal (Chair), Stuart Mathers, Labina Basit and Peter Smallwood (left during agenda item 12)</p> <p>Also Present: Jenny Buck – LCIV Sian Kunert – LCIV Zahra Rumani – LCIV Tony Noakes – Pension Board Member Roger Hackett – Chair of Pensions Board Member Johnny Moore – ISIO Emily McGuire – ISIO Catherine Edgecombe - Hampshire County Council Marian George – Independent Advisor</p> <p>LBH Officers Present: Karl Periera – Trainee Pension Fund Accountant Pete Carpenter – Director, Pensions, Treasury & Statutory Accounts Anisha Teji – Senior Democratic Services Officer Tunde Adekoya – Finance Manager - Pensions & Governance</p>
143.	<p>APOLOGIES FOR ABSENCE (<i>Agenda Item 1</i>)</p> <p>Apologies for absence were received from Councillor Kaushik Banerjee.</p>
144.	<p>DECLARATIONS OF INTEREST IN MATTERS COMING BEFORE THIS MEETING (<i>Agenda Item 2</i>)</p> <p>None.</p>
145.	<p>MINUTES OF THE MEETING DATED 24 SEPTEMBER 2025 (<i>Agenda Item 3</i>)</p> <p>RESOLVED: It was agreed that the minutes of the meeting on 24 September 2025 be confirmed as an accurate record.</p>
146.	<p>TO CONFIRM THAT ITEMS MARKED PART I WILL BE CONSIDERED IN PUBLIC AND THOSE MARKED PART II WILL BE CONSIDERED IN PRIVATE (<i>Agenda Item 4</i>)</p> <p>It was confirmed that agenda items 5 – 10 would be heard in Part I and agenda items 11 – 13 would be heard in Part II.</p>

147. **PETITION ON LGPS DIVESTMENT** (*Agenda Item 5*)

With the Chair's permission, the Committee considered a petition by local residents and members of the Hillingdon Palestine Solidarity Campaign, requesting that Hillingdon Council's pension fund investments be divested from companies alleged to have been complicit in violations of Palestinian rights.

The lead petitioner addressed the Committee, noting over 40 years of residence and work in Hillingdon and membership in the pension scheme. It was reported that over 1000 residents had signed the petition, supported by local groups and trade unions. The petitioner requested a special meeting to review the legal notice, as the current agenda was considered insufficient and called for the Council to end investments in companies complicit in human rights abuses in Gaza. It was urged that influence be used within the London Collective Investment Vehicle to lobby for divestment and that policies be introduced to prevent future investments and terminate contracts with such companies.

The petitioner highlighted that over £6 million had been invested in these companies, with details publicly available and referenced a legal notice outlining obligations to divest. It was noted that 26 councils had already committed to ending ties with such companies. Strong moral and legal arguments were presented, stressing that continued investment rendered the Council complicit in breaches of international law and war crimes. The humanitarian impact, including civilian casualties and violations of the Geneva Convention was emphasised and a clear commitment for action was requested.

The Committee reiterated its fiduciary duty to meet liabilities while considering ESG factors, noting that the Investment Strategy Statement was being updated for approval by the Pensions Committee in March 2026. Members acknowledged numerous resident letters, stressed the importance of responsible investment and confirmed further discussion in Part 2, with decisions to be made public.

RESOLVED: That the Pensions Committee noted the petition and submissions made by the petition organiser.

148. **ADMINISTRATION REPORT** (*Agenda Item 6*)

The Pensions Administration & Performance report was introduced by the Director of Pensions, Treasury & Statutory Accounts. It was reported that membership had increased to 32,546 (+18.5% since onboarding on 27 September 2021), with Active members representing only 29%, reflecting that payments out had exceeded contributions. In October, 100% SLA compliance was achieved, with 242 cases processed within SLA and 502 cases outstanding, mainly awaiting third-party information. Member Portal registrations had reached 16,838 (55% of membership). There were 114 active employers, with one exit recorded in October and pending changes including two exits, ten admitted bodies and one academy conversion. The McCloud Remedy deadline was confirmed as extended to August 2026 and Civica onboarding for the Pensions Dashboard was completed.

Members' queries were raised regarding the average time outstanding administrative cases remained unresolved, the expected completion date for the historic backlog of 243 cases and whether the original compliance deadline under the McCloud requirements had been met. It was confirmed that the remaining cases were complex

	<p>and could only be resolved upon individuals' retirement due to missing or inaccessible historic payroll data. Significant progress had been noted from an initial 4000 cases, and the remaining issues were being managed as part of risk assessment. Previous non-compliance was noted as resulting from national technical issues rather than local failures. Members suggested that consideration be given to whether continued reporting of these cases was necessary or whether they should be monitored through risk management processes.</p> <p>RESOLVED: That the Pensions Committee note the administration update.</p>
149.	<p>INVESTMENT STRATEGY AND FUND MANAGER PERFORMANCE - PART I <i>(Agenda Item 7)</i></p> <p>The Investments Strategy and Fund Manager Performance report was introduced by the Director of Pensions, Treasury & Statutory Accounts, and the dashboard produced collaboratively by officers was highlighted. The actuary's quarterly update was reported, confirming a Funding Level of 146%, up from 136% in Q2. Assets were stated as £1.54bn, an increase of £100m, while Liabilities had fallen by £20m, improving the surplus. Key assumptions were noted as a 6.9% discount rate and 2.1% pension increases. Investment performance, as outlined in the joint report with London CIV, was reported as a quarterly return of +5.7%, exceeding the benchmark by 0.3%. Year-to-date returns were +8.4%, with a three-year annualised rate of +9.6%. Top contributors were identified as LGIM Future World Fund (+2.33%), LGIM World Developed Equity (+2.16%) and LCIV Global Alpha Growth Paris Aligned (+0.43%), while underperformance was noted in Opportunistic Dislocation and certain Private Debt allocations.</p> <p>A concern was raised by Members regarding how the fund would protect itself in the event of a significant downturn in equities, given their current position as the largest growth factor. It was confirmed that this matter would be addressed in detail during Part 2 of the meeting as part of the investment strategy discussion.</p> <p>RESOLVED: That the Committee not the funding and performance update.</p>
150.	<p>RESPONSIBLE INVESTMENT <i>(Agenda Item 8)</i></p> <p>The Responsible Investments Update was introduced by the Finance Manager – Pensions & Governance. The report provided information on how managers entrusted with investing Pension Fund assets had implemented ESG policies and demonstrated commitment to integrating them into the investment process. A voting breakdown was summarised: LGIM was recorded as having opposed proposed management resolutions on 27% of occasions, supported approximately 72%, and abstained on 1.26%. The London CIV, through three equity portfolio managers and the absolute return manager Ruffer, was noted as having supported management resolutions on 88% of voting opportunities, opposed around 10%, with abstentions at 1.79%. As requested at the previous Committee meeting, detailed lower-level voting tables were included on pages 41–44. During the quarter, LAPFF was reported to have engaged with various companies worldwide on ESG issues, with three examples of engagement activities in Q2 2025 (Environmental, Social, and Executive Remuneration) provided.</p> <p>The fund managers' engagement activities and compliance efforts, along with LAPFF engagement, were noted by the Committee. The importance of balancing governance-focused resolutions with social and environmental issues was highlighted, with</p>

	<p>LAPFF’s role in promoting ESG priorities stressed. It was observed that most shareholder resolutions related to remuneration and governance rather than environmental or social factors, reinforcing the need for continued engagement on these themes. Questions were raised about whether recent voting patterns indicated a significant behavioural shift or remained consistent with previous trends. Officers confirmed that resolutions were largely standard and shareholder-proposed, with some variation reflecting current issues. It was further noted that environmental resolutions appeared to have decreased, particularly among US-based companies, though this was not taken to imply reduced corporate focus. Cybersecurity was identified as an area with limited shareholder resolutions.</p> <p>RESOLVED: That the Pensions Committee:</p> <ol style="list-style-type: none"> 1. Noted the fund managers’ ESG activities and compliance efforts 2. Noted LCIV & LAPFF activities
151.	<p>RISK REGISTER REPORT (<i>Agenda Item 9</i>)</p> <p>The Risk Register Report was introduced by the Finance Manager – Pensions & Governance and key risks were outlined along with mitigation measures. Risks were categorised as either tolerated, managed as business as usual, or open, actively monitored and addressed. Members were advised that forthcoming “Fit for Future” legislation would require a full review of the register and risk management approach. It was noted that new rules had recently been issued, creating tight timescales for compliance ahead of the 1 April 2026 go-live date, with consultation still to be completed.</p> <p>Queries were raised regarding liquidity for member dealings and whether late publication of national guidance should be considered a risk. It was confirmed that liquidity had been well managed, with strong cash balances and no need to sell assets for pensions in the past 20–30 years. Private equity and debt investments were reported as currently providing cash flow and strategies such as redirecting investment income were available to address future gaps. A review of cash flow risks was scheduled to follow the valuation results, and a graph illustrating asset maturity and cash flow trajectory was requested. These considerations were noted as forming part of the investment strategy discussion in Part II.</p> <p>Further questions confirmed that the risk register included non-investment risks such as cyber security, tax, compliance, and administrative errors. Members highlighted the importance of ensuring risk 11 (failure of the pool) reflected the significant work required to meet “Fit for Future” requirements by March. Given tight timescales and new rules, it was agreed that additional touch-base meetings before March would be necessary to monitor progress and mitigate risks.</p> <p>RESOLVED: That the Pensions Committee:</p> <ol style="list-style-type: none"> 1. Considered and agreed the Risk Register in terms of the approach, the specific risks identified, and the measures being taken to mitigate those current risks. 2. Noted the revised format and agreed the retired risks and those which remained open.
152.	<p>GOVERNANCE (<i>Agenda Item 10</i>)</p>

	<p>The Committee reviewed the work plan and noted that some policies, including the Conflicts of Interest, Training Policy and Responsible Investment Policy, will be deferred to March 2026 to align with the annual valuation. Continuous professional development was highlighted, with a training log provided for members. The Committee noted progress towards compliance with the General Code of Practice, with two policies scheduled for approval in Part 2 to achieve full compliance. The draft Funding Strategy Statement was presented and approved for consultation, aiming to maintain stable employer contribution rates and ensure long-term solvency. Revised Internal Dispute Resolution Procedure guidance was agreed, clarifying Stage 1 responsibilities for academies and updates to the Administration Strategy Statement were approved to reflect pensions dashboard requirements. Members discussed governance standards compared to other London funds, welcomed ongoing training and requested a review of any outstanding internal audit recommendations.</p> <p>RESOLVED:</p> <p>That the Committee:</p> <ol style="list-style-type: none"> 1. Noted the dates for Pensions Committee meetings. 2. Noted Committee Work Plan. 3. Noted Committee’s Continuous Professional Development update. 4. Noted GCoP Update. 5. Noted and Approved Draft Funding Strategy Statement for Consultation. 6. Noted and Approved Revised Internal Dispute Resolution Procedure Guide. 7. Noted and Approved Revised Pensions Administration Strategy Statement.
153.	<p>APPROVE RESTRICTED MINUTES FROM MEETING ON 24 SEPTEMBER 2025 <i>(Agenda Item 11)</i></p> <p>RESOLVED: That the Committee approved the restricted minutes from the meeting on 24 September 2025.</p>
154.	<p>GOVERNANCE PART II <i>(Agenda Item 12)</i></p> <p><i>This item was discussed as a Part II item without the press or public present as the information under discussion contained confidential or exempt information as defined by law in the Local Government (Access to Information) Act 1985. This was because it discussed ‘information relating to the financial or business affairs of any particular person (including the authority holding that information)’ (paragraph 3 of the schedule to the Act).</i></p> <p>RESOLVED: That the Committee noted the recommendation as detailed in the confidential report.</p>
155.	<p>INVESTMENT PART II - STRATEGY REVIEW AND FIT FOR THE FUTURE UPDATE <i>(Agenda Item 13)</i></p> <p><i>This item was discussed as a Part II item without the press or public present as the information under discussion contained confidential or exempt information as defined by law in the Local Government (Access to Information) Act 1985. This was because it discussed ‘information relating to the financial or business affairs of any particular person (including the authority holding that information)’ (paragraph 3 of the schedule</i></p>

	<i>to the Act).</i> RESOLVED: That the Committee noted the recommendation as detailed in the confidential report.
	The meeting, which commenced at 5pm, closed at 8.32 pm.

These are the minutes of the above meeting. For more information on any of the resolutions please contact Anisha Teji on ateji@hillingdon.gov.uk. Circulation of these minutes is to Councillors, Officers, the Press and Members of the Public.

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

REASON FOR ITEM

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

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

RECOMMENDATIONS

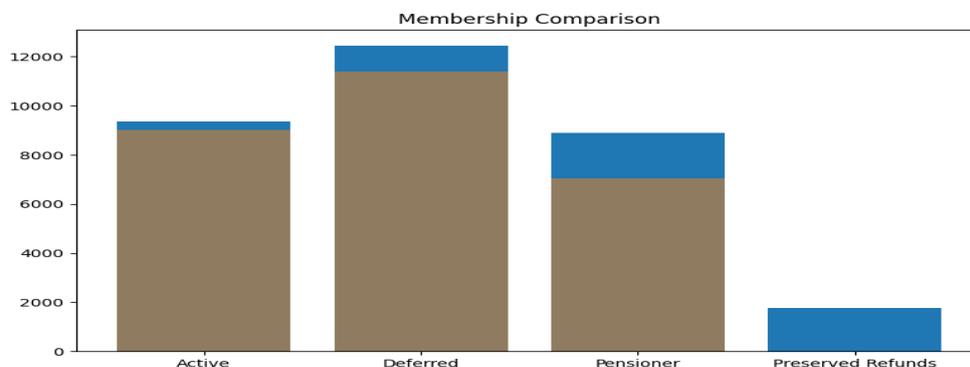
1. That the Pensions Committee note the administration update

INFORMATION

This report provides a comprehensive overview of the administration of the London Borough of Hillingdon Local Government Pension Scheme (LBH LGPS) for December 2025. Hampshire Pension Services (HPS) continues to deliver high performance across key metrics, with 100% SLA compliance and significant growth in scheme membership. Key developments include progress on McCloud remedy implementation, dashboard connectivity delays, and enhanced employer services.

Key Takeaways

- Membership has grown by nearly 18.37% since onboarding, indicating strong scheme engagement.



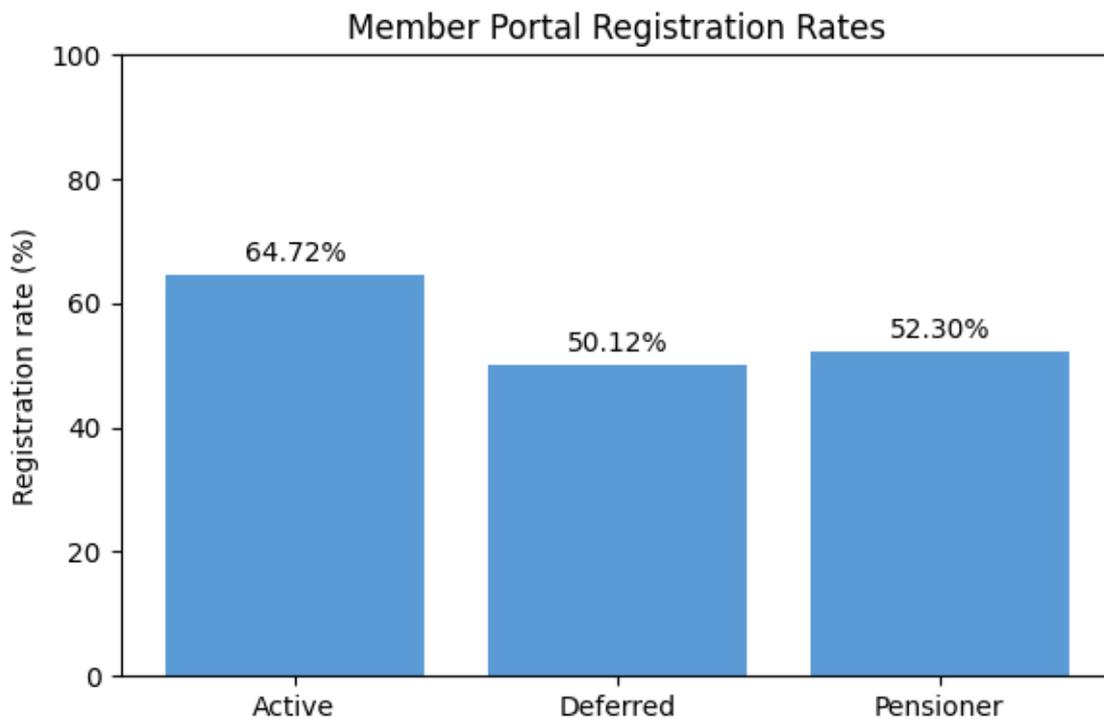
Classification: Public
Pensions Committee 24 March 2026

- 55% of members are registered on the portal, showing good digital adoption.
- 100% of administration cases were completed within SLA timelines, reflecting operational efficiency. 227 cases were processed in the month.
- Only 239 historic leaver cases remain unprocessed, down from over 4,161.
- Member communication volumes are high, with over 123 calls received and 118 answered within 5 minutes in September.
- McCloud main deadline was extended to 31 August 2026.
- Audit results show substantial assurance in two key areas, member deaths and transfer audits.
- Communications: One member communication: ID verification for overseas pensioners
- Feedback: 3 compliments, 0 complaint received.

Membership

Membership in the Local Government Pension Scheme has grown by 18.37% since the start of the partnership, with notable increases in deferred and pensioner categories.

Membership Growth



What it shows

Registration penetration: Active 64.72%, Deferred 50.12%, Pensioner 52.30%. Opportunity to target Deferred members for higher digital engagement.

Classification: Public
Pensions Committee 24 March 2026

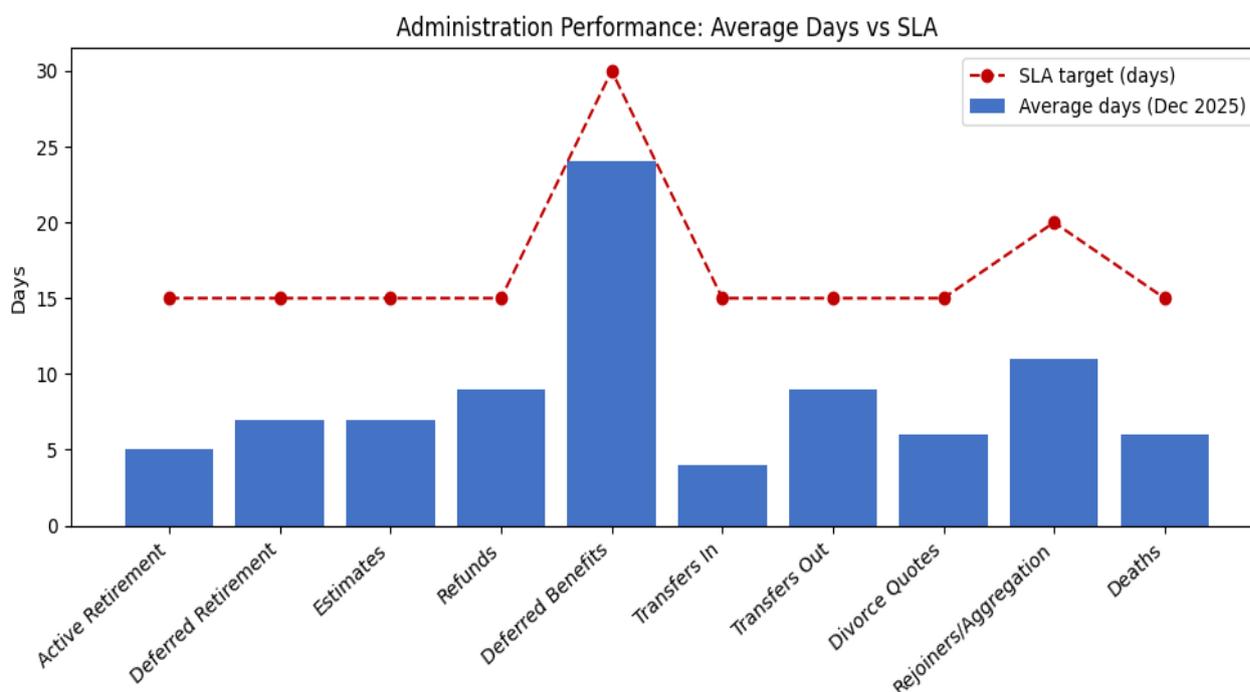
Administration

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

The table below shows performance from 1st December – 31st December 2025. The service level agreement (SLA) for all casework is 15 working days, except for deferred benefits which are processed in 30 working days, and re-joiners which are processed in 20 working days.

Time to Complete

Case Type	Total Cases	% Completed on Time	Avg Days
Active Retirement	12	100%	5
Deferred Retirement	16	100%	7
Estimates	33	100%	7
Refunds	18	100%	9
Deferred Benefits	61	100%	24
Transfers In	11	100%	4
Transfers Out	31	100%	9
Divorce Quotes	3	100%	6
Re-joiners/Aggregation	26	100%	11
Deaths	16	100%	6
Grand Total	227	100%	



What it shows

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

The table below shows outstanding work as of 31st December 2025. The time outstanding reflects the time from date of receipt of the initiating request, and includes time whilst cases are on hold pending further information. Work which has been pended is monitored by the team and is also pushed for review by the system at pre-determined intervals. This means that all pending casework is regularly reviewed, and actions taken to ensure it can be moved and processed.

Case Type	Total Outstanding
Active Retirement	4
Deferred Retirement	16
Estimates	80
Refunds	4
Deferred Benefits	88
Transfers In	139
Transfers Out	14
Divorce Quotes	0
Divorce Actuals	3
Rejoiners/Aggregation	71
Deaths	42
Grand Total	461

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

Total outstanding cases: 461. The largest backlogs are Transfers In (139), Deferred Benefits (88), and Estimates (80)

2025 End of Year timetable

The timetable of 2025 year-end processes have been completed.

Active Benefit Statements – The production of active benefit statements has been ongoing, throughout December, and the 31 December position is as follows. We have included a comparison to the number of statements produced by the deadline of 31 August 2025.

Date	Total Number of Statements Required	Total Number of Statements Produced	Total Number of Statements Missing	Percentage of Statements Produced
31/12/2025	9,256	9,229	27	99.71%
31/08/2025	9,256	9,214	42	99.55%

The numbers above include all members – those that are in scope for the McCloud Remedy, and those out of scope. For those in scope, a guaranteed amount (the underpin) has been calculated and is included in the information provided.

As of 31 December 2025, the unprocessed leavers position is as follows.

Unprocessed Leavers transferred from Surrey, at point of onboarding.	3,840
Additional unprocessed leavers identified since onboarding	321
Total unprocessed leavers	4,161
Leavers processed, and records finalised by HPS	3,922
Leavers processed in the last month*	2
Outstanding leavers to be processed	239

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

McCloud Update

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

Area of work	Cases	Update
Club transfer in	0	LBH did not have any of these cases
Pensioners	260	We are commencing the recalculation of these records
Pension sharing orders	0	LBH did not have any of these cases

Pensions Dashboard Programme (PDP)

All schemes administered by Hampshire Pension Services were connected to the central architecture of the Pensions Dashboard on 12th December, as confirmed by email to all key contacts.

We haven't experienced and aren't expecting any impact from this, as the Dashboard is not available to the public, but we will continue to prepare for when that time comes.

Audit

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

Audit Area	Timing
Member deaths Provide assurance that any payments related to deceased members are calculated correctly and paid promptly to the correct recipient with the risk of overpayments minimised.	Substantial rating confirmed.
Pension transfers Provide assurance that the processes and controls in place support the accuracy and timeliness of transfers in and out of the schemes administered by HPS.	Substantial rating confirmed.
Audit Area	Timing

<p>Pensions payroll and benefit calculations</p> <p>Annual review to provide assurance that HPS’ systems and controls ensure that:</p> <ul style="list-style-type: none"> • Lump sum and on-going pension payments are calculated correctly, are valid and paid to the correct recipients. • All changes to on-going pensions are accurate and timely. • Pension payroll runs are accurate, complete, timely and secure with all appropriate deductions made and paid over to the relevant bodies. 	<p>Quarter 3/4</p>
<p>Cyber Security</p> <p>Provide assurance over the cyber security arrangements within HPS and the UPM application. Precise scope to be determined by the outcomes of the 2024/25 audit, cyber security and UPM developments during the year.</p>	<p>Quarter 4</p>

FINANCIAL IMPLICATIONS

Financial implications are included in the body of the report.

LEGAL IMPLICATIONS

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

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VALUATION REPORT AND FUNDING STRATEGY

ITEM 6

Committee	Pensions Committee
Officer Reporting	Tunde Adekoya, Finance Pete Carpenter, Finance
Papers with report	1. Draft Valuation Report 2. Funding Strategy Statement

BACKGROUND

Hillingdon Council as the administering authority of the Hillingdon Pension Fund is required under Regulation 62 (1) of LGPS Regulations 2013 to carry out a triennial valuation to review the current funding strategy and ensure that there is an effective contribution plan and investment strategy to pay benefits to members as they fall due.

The triennial valuation assumptions for March 2025 were approved at the September 2025 Committee. The draft Funding Strategy Statement was also approved by the Committee for consultation. The triennial valuation is now complete, and the results attached. Craig Alexander from Hymans Robertson, the Pension Fund Actuary will present the final results to the Committee.

RECOMMENDATION

It is recommended that pensions Committee:

- 1. Agree the draft Triennial Valuation Report.**
- 2. Approve the Funding Strategy Statement for the London Borough of Hillingdon Pension Fund.**

SUMMARY OF THE VALUATION RESULTS

Funding position

The table below summarises the funding position as of 31 March 2025 in respect of benefits earned by members up to this date (along with a comparison at the last formal valuation on 31 March 2022).

Past Service Position	31 March 2022	31 March 2025
-----------------------	---------------	---------------

	(£m)	(£m)
Past Service Liabilities	1,430	1,199
Market Value of Assets	1,263	1,410
Surplus / (Deficit)	(167)	211
Funding Level	88%	118%

There has been an improvement in the funding level since the last valuation in March 2022 from 88% to 118%, moving from a deficit of (£167m) to a surplus of £211m. The improvement in funding position between 2022 and 2025 is mainly due to expectations of higher investment returns, thus reducing the liabilities and investment performance over the period resulting in an increased asset value of £147m. The liabilities have also decreased over the period by £231m. The likelihood of the Fund achieving the required return has improved from 62% in 2022 to 84% in 2025.

Contribution rates

The table below shows the contribution rate for the whole fund of March 2025. The Primary rate is the payroll weighted average of each individual employer primary rate. The secondary rate is the total of each individual employer rate expressed in monetary terms, calculated in accordance with the Regulations and CIPFA guidance.

	Valuation 31 March 2025		Valuation 31 March 2022	
Primary rate (% of pay)	19.5% of pay		19.6% of pay	
	Year	£	Year	£
Secondary Rate £	2026/27	-1,028,000	2023/24	6,682,000
	2027/28	-1,057,000	2024/25	6,897,000
	2028/29	-1,087,000	2025/26	7,120,000

The average % rate overall has reduced from 23.7 % (Primary 19.6%, Secondary 4.1%) to 19.0% ((Primary 19.5%, Secondary –0.5%).

The Primary rate above includes an allowance for administration expenses of 0.8% of pensionable pay (also 0.8% at 2022 valuation). The average employee contribution rate is 6.6% of pensionable pay (6.7% at 2022 valuation).

Broadly, contributions required to be made by employers in respect of new benefits earned by members (the primary contribution rate) have decreased as future expected investment returns have improved. Changes to employer contributions targeted to fund the deficit have been variable across employers.

The schedule of contributions to be paid by each employer, commencing 1 April 2026 to 31 March 2029 are set out in the Rates and Adjustment Certificate included in the valuation report.

Missing Information

There is missing information in this final draft document. The information is on the Gender Pension Gap analysis (the results of which will also form its own Appendix 9 of the final document). The Gender Pensions Gap (GPeG) guidance has only recently

been released by (Government Actuaries Department) GAD and Hymans are working through the analysis and requirements for all their LGPS Funds now. This must and will be completed and included in the final valuation report by 31 March 2026.

FUNDING STRATEGY STATEMENT

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

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

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

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

The Funding Strategy Statement for the Hillingdon Pension Fund has been reviewed and updated following the 2025 triennial valuation. The draft was approved for consultation at the Pensions Committee of 24 September 2025 and was sent to employers on 20 November 2025. The consultation period ended on 12 December 2025. There were no changes arising from the consultation. The FSS is now being presented back to Committee for final approval.

FINANCIAL IMPLICATIONS

The financial implications are included in the body of the report.

LEGAL IMPLICATIONS

The legal implications are included in the body of the report.

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London Borough of Hillingdon Pension Fund

Report on the actuarial valuation as at 31 March 2025

March 2026

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Craig Alexander FFA C.Act

Fellow of the Institute and Faculty of Actuaries
For and on behalf of Hymans Robertson LLP



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Executive summary



1. Executive summary

We have been commissioned by London Borough of Hillingdon (“the Administering Authority”) to carry out a valuation of the London Borough of Hillingdon Pension Fund (“the Fund”) as at 31 March 2025. This fulfils Regulation 62 of the Local Government Pension Scheme Regulations 2013. This report is a summary of the valuation.

Contribution rates

The contribution rates for individual employers set at the 31 March 2025 valuation can be found in the Rates and Adjustments certificate. Table 1 shows the combined individual employer rates, compared to the last valuation in 2022.

	31 March 2025		31 March 2022	
Primary rate	19.5% of pay		19.6% of pay	
	2026/27	-0.5%	2023/24	4.1%
Secondary rate	2027/28	-0.5%	2024/25	4.1%
	2028/29	-0.5%	2025/26	4.1%

Table 1: Combined employer contribution rates compared with previous valuation

On average, contribution rates have reduced due to higher assumed future returns at 2025, reducing the estimated cost of funding future benefit payments.

Funding position

At 31 March 2025, the funding position on the Fund’s assumptions has improved from the last valuation at 31 March 2022. Table 2 shows the reported funding position, compared to the last valuation in 2022.

Valuation Date	31 March 2025	31 March 2022
Assets (£m)	1,410	1,263
Liabilities (£m)	1,199	1,430
Surplus / (Deficit) (£m)	211	(167)
Funding Level	118%	88%

Table 2: Reported funding position compared with previous valuation

Similar to contribution rates, the improvement in funding level is primarily due to higher assumed future investment returns at 2025.

Comparison with other LGPS funds

The funding position and contribution rates are based on assumptions about future factors such as investment returns, inflation and life expectancy. As these are uncertain, different assumptions are used by each LGPS fund to reflect their own views, circumstances and strategic objectives. These differences (amongst other factors, including crucially the previous funding level and employer affordability and long-term contribution stability) will lead to differences in funding positions and contribution rates across the LGPS. To support comparison, LGPS funds are required to report a funding position on a consistent set of assumptions (called the “SAB funding level”). The Fund’s SAB funding level at 31 March 2025 is 94%. **SAB assumptions are to allow comparison only and are not intended to be appropriate for funding or setting contribution rates. As such, this result has no impact on the Fund’s funding strategy or employer contribution rates.**

Valuation approach



2. Valuation approach

2.1 Valuation purpose

The triennial actuarial valuation is an important part of the Fund's risk management framework. Its main purpose is to ensure the Fund continues to have a funding strategy that is likely to achieve the objectives set out in the Funding Strategy Statement.

This report contains the valuation's two key outcomes:

- Employer contribution rates for the period 1 April 2026 to 31 March 2029
- The funding position of the whole Fund at 31 March 2025.

Further information on the process, methodology and strategy has been communicated to relevant stakeholders throughout the valuation. There is also further information publicly available in the Funding Strategy Statement and [Hymans Robertson's LGPS 2025 valuation toolkit](#).

2.2 Setting employer contribution rates

Employer contributions need to be set at a level which ensures the Fund has a reasonable likelihood of having enough money to pay members' benefits. Identifying the amount of benefits that may be paid is complex, as benefits earned today may not be paid until 50+ years has passed. Over that period, there is significant uncertainty over factors which affect the cost of benefits e.g. inflation and investment returns. These uncertainties are considered within the risk-based approach to setting employer contribution rates. This approach is built around three key funding decisions.

Key funding decisions

- **Decision 1:** What is the target funding level (how much money the Fund aims to hold) and funding basis (the set of actuarial assumptions used to value the past and future liabilities)?
- **Decision 2:** What is the funding time horizon (the time given to employers to meet the target funding level)?
- **Decision 3:** What is the likelihood of success (how likely it is that employers will meet the target funding level at the end of the funding time horizon)?

The funding decisions will vary between employers within the Fund and are documented in the Funding Strategy Statement.

Risk-based approach

Asset-liability modelling is used to project each employer's assets and benefit payments into the future under 5,000 different economic simulations. The resulting 5,000 projections of the employer's assets and benefits are used to quantify the likelihood of success.

The simulations are generated using Hymans Robertson's Economic Scenario Service (ESS). Further information on this can be found in [Appendix 2](#).

Contribution rates are then set for each employer which achieve each employer's minimum likelihood of meeting their target funding level on their funding basis at the end of their funding time horizon.

2.3 Measuring the funding position

The funding position is measured as at the valuation date. While it is limited in providing insight into the future health of the Fund, it is a useful high-level summary statistic. A market-related approach is taken to calculate both the assets and the liabilities to ensure they are consistent with one another:

- The market value of the Fund’s assets at the valuation date has been used.
- The liabilities have been valued using assumptions based on market indicators at the valuation date (these are detailed in [Appendix 2](#)).

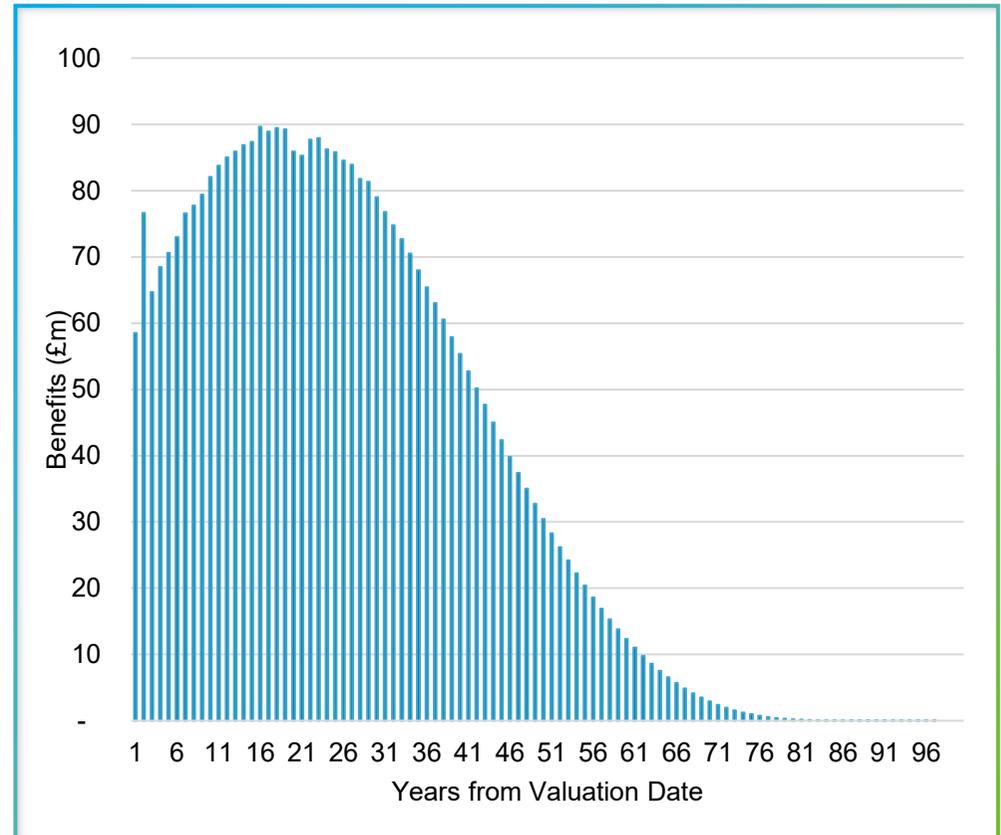
Calculating the liabilities

The liabilities are the value of all future payments to members based on all benefits earned up to, or in payment at, the valuation date, expressed in today’s money. Chart 1 shows the annual split of projected benefit payments for all members in the Fund at the valuation date.

The projections are based on the membership data provided for the valuation ([Appendix 1](#)), the assumptions ([Appendix 2](#)) and our understanding of the LGPS benefit structure as at 31 March 2025 (details at www.lgpsregs.org). There are currently sources of uncertainty and potential change related to the LGPS benefit structure and [Appendix 2](#) sets out how these have been considered.

The “spike” in year 2 reflects the anticipated retirement of a tranche of active and deferred members who are currently older than their assumed retirement age, whilst the “dip” around year 20 reflects the planned increase in State Pension Age to 68.

Chart 1: Projected benefit payments for all service earned up to 31 March 2025



To express the future payments in today’s money, each projected payment is discounted back to the valuation date in line with an assumed rate of future investment return (known as the ‘discount rate’).

Valuation results



3. Valuation results

3.1 Employer contribution rates

The primary objective of the funding strategy is to set employer contribution rates that will enable it to have enough assets to pay members' benefits as they fall due. A secondary objective is to ensure the rates are as stable and affordable as possible. The risk-based approach detailed earlier is used to meet these objectives.

The employer contribution rate is made up of two components:

- **Primary rate:** the level of contributions sufficient to fund benefits that will be accrued in the future.
- **Secondary rate:** the difference between the primary rate and the total contribution rate. This may be in respect of costs associated with accrued benefits or adjustments to achieve the Fund's stability and affordability objectives.

Table 3 shows the combined individual employer contribution rates to be paid into the Fund over the period 1 April 2026 to 31 March 2029. There is also a comparison with the contributions set at the last valuation in 2022.

	31 March 2025		31 March 2022	
Primary rate	19.5% of pay		19.6% of pay	
Secondary rate	2026/27	-0.5%	2023/24	4.1%
	2027/28	-0.5%	2024/25	4.1%
	2028/29	-0.5%	2025/26	4.1%

Table 3: Combined employer contribution rates compared with previous valuation

The primary rate includes an allowance of 0.8% of pensionable pay for the Fund's administration and governance expenses (0.8% of pay at the last valuation).

Employees pay contributions to the Fund in addition to these rates. The employee contribution rates are set by the LGPS Regulations.

On average, employer total contribution rates (ie Primary plus Secondary) have reduced mainly due to higher assumed future investment returns at 2025 compared to 2022. This reduces the estimated cost of funding future benefit payments.

Each employer has a contribution rate which is appropriate to their circumstances, and these can be found in the Rates & Adjustments Certificate ([Appendix 8](#)).

3.2 Funding position as at 31 March 2025

Table 4 sets out the assets and liabilities at the valuation date. The results at the 2022 valuation are shown for comparison.

The funding position provides a high-level snapshot as at 31 March 2025, but there are limitations:

- The liabilities are very sensitive to the choice of assumptions about the future
- The market value of assets held by the Fund will change daily.

Employer contribution rates are not set using the reported funding position above. The contribution rates take into consideration how assets and liabilities will evolve over time in different economic scenarios. They also reflect each employer’s funding profile and covenant.

The funding position and contribution rates are based on assumptions about future factors such as investment returns, inflation and life expectancy. As these are uncertain, different assumptions are used by each LGPS fund to reflect their own views, circumstances and strategic objectives. These differences (amongst other factors, including crucially the previous funding level and employer affordability and long-term contribution stability) will lead to differences in funding positions and contribution rates across the LGPS. To support comparison, LGPS funds are required to report a funding position on a consistent set of assumptions (called the “SAB funding level”). The Fund’s SAB funding level at 31 March 2025 is 94%. **SAB assumptions are to allow comparison only and are not intended to be appropriate for funding or setting contribution rates. As such, this result has no impact on the Fund’s funding strategy or employer contribution rates.**

Valuation date		31 March 2025	31 March 2022
Assets		1,410	1,263
Liabilities	Actives (£m)	282	387
	Deferreds (£m)	278	375
	Pensioners (£m)	639	668
Surplus / (Deficit) (£m)		211	(167)
Funding Level		118%	88%

Table 4: Single reported funding position compared with the previous valuation

The improvement in funding level is primarily due to higher assumed future investment returns at 2025. Chart 2 on the next page provides further information on what’s caused the funding position to change since 2022.

3.3 Other funding metrics

The future investment return required to be 100% funded at this valuation is 5.4% p.a. which has increased from the previous valuation (4.9% p.a.). This means, at 31 March 2025, the Fund needed to earn 5.4% p.a. to have enough money to meet accrued benefits at that date. The estimated likelihood of the Fund’s investment strategy achieving the required return is 84% at 31 March 2025 (62% at 2022).

Changes since the last valuation – funding position

The factors that have caused the funding position to change since the last valuation are split between:

- actual experience being different from expectations at the last valuation (*known events*)
- changes in assumptions about the future (*future expectations*).

Chart 2 details these factors and their magnitude.

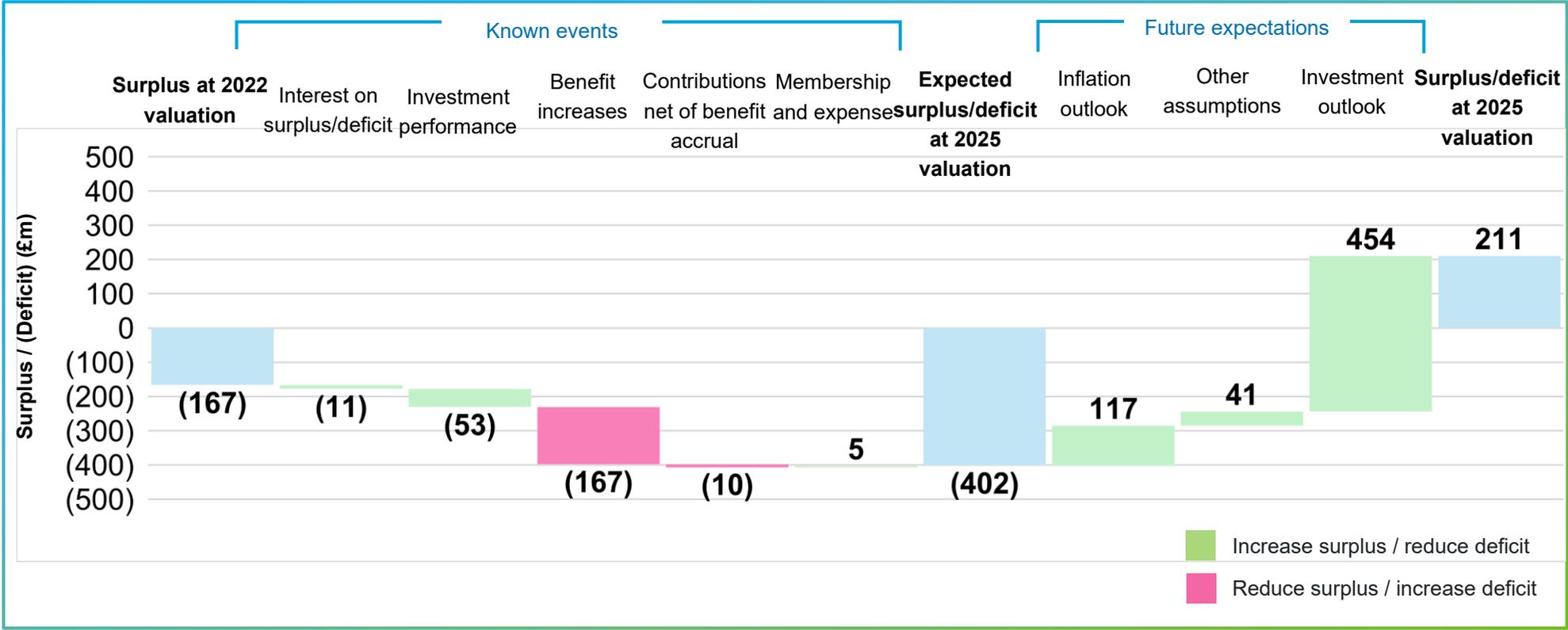


Chart 2: Change in funding position since last valuation

Risks and sensitivities



4. Risks and sensitivities

4.1 Background

If all future experience is in line with expectations and there are no changes in the financial or demographic environment, it's projected that the funding level at the next valuation (31 March 2028) would increase to around 120%.

However, the funding position, and the Fund's funding strategy, are sensitive to various sources of risks. These funding risks broadly fall into categories of economic, demographic, regulatory and other.

Identifying and specifying these risks, including analysis of their potential impact, is an important part of the risk management cycle.

4.2 Economic risks

Impact of known events

The main economic risks are in relation to investment returns, benefit increases (ie Consumer Price Index inflation) and salary increases.

For all three sources of risk, the table below details the actual experience since the last valuation compared to 2022 expectations, and the impact on funding.

Source	Expected	Actual	Funding impact
Investment returns	4.1% p.a.	2.9% p.a.	(£53m)
Benefit increases	2.7% p.a.	6.1% p.a.	(£167m)
Salary increases	3.2% p.a.	6.5% p.a.	(£15m)

Table 5: Impact of known economic events since 2022

Impact of changes in future outcomes

The results in this report are based on a set of assumptions about the future outcomes for these economic risks. If the future differs from the assumptions used at this valuation, the Fund's liabilities may be higher (or lower) than the current estimate.

Investment returns: Chart 3 below shows how the funding level at 31 March 2025 changes depending on the level of assumed future investment returns. Each point on the line denotes the estimated likelihood of achieving the level of future return at the valuation date. This indicates that the best estimate (return with an estimated 50% likelihood) funding level at 31 March 2025 is around 150%. The Fund’s assumption at this valuation is summarised in [Appendix 2](#) and is illustrated by the solid blue diamond.

- **Benefit increases:** if future inflation was 0.1% pa higher than assumed at this valuation, then the funding level would reduce by around 2% (with a c£16m fall in the surplus).
- **Salary increases:** if salary increases were 0.5% pa higher than assumed at this valuation then the funding level would reduce by around 1% (with a c£4m fall in the surplus).

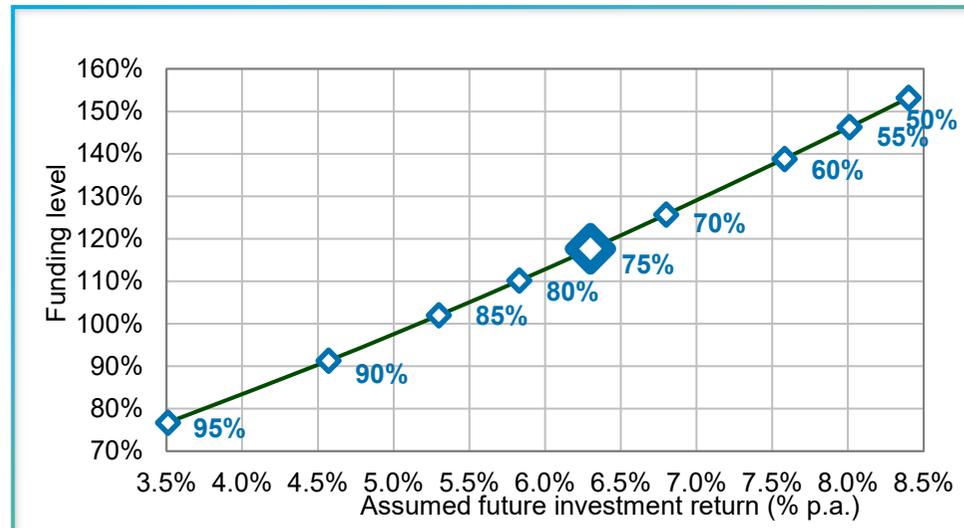


Chart 3: Impact of future return assumption on funding level

Prudence within assumptions

Reflecting the sharp change in the economic environment since the last valuation in 2022, the Fund has made allowance for higher assumed future investment returns (compared to the 2022 valuation). However, there is also increased uncertainty within the wider environment due to ongoing geo-political tensions and financial market volatility, alongside additional uncertainty about future long-term UK inflation levels and global financial markets. Therefore, the Fund has increased the level of prudence within funding strategies and contribution rates at the 2025 valuation*. The overall outcome of higher assumed future investment returns, even when combined with higher prudence is, on average, a reduction in employer total contribution rates (ie Primary plus Secondary) at the 2025 valuation.

The Fund believes this approach balances the key objectives of **affordability** and **stability** of employer contribution rates, whilst ensuring the Fund is **solvent** over the long-term.

- **Affordability:** the Fund has taken into account, and given credit for, higher expected future investment returns which reduces the cost to employers of providing LGPS benefits (all other things being equal).
- **Stability:** if the Fund doesn’t achieve the higher level of assumed returns, or future returns expectations reduce, then it doesn’t necessarily mean immediate increases in employer contribution rates in the future. Prudence levels will remain under review and part of the Fund’s wider governance and risk management framework and, given different economic or funding conditions, it may be appropriate to reduce prudence at future valuations to support the Fund’s longer-term aims of stable (and affordable) contributions for employers.

* Prudence levels are set out in the Fund’s Funding Strategy Statement and the governance audit trail of these key decisions is documented in [Appendix 3](#).

4.3 Demographic risks

Impact of known events

The main demographic risk is in relation to life expectancy. The Fund's mortality experience between the 2022 and 2025 valuations has resulted in the following impact on the funding position, as shown in Table 6.

Mortality experience	
Actual amount of annual pension ceased	£3.8m
Expected amount of annual pension ceased	£3.9m
Difference	£0.1m
Impact on liabilities	(£1.2m)

Table 6: Impact of member mortality experience since 2022

Impact of changes in future outcomes

The results in this report are based on an assumption that in the long-term, the rate of mortality reduces at a rate of 1.5% p.a. If this rate of reduction turned out to be stronger (1.75% p.a. instead of 1.5% p.a.), then members would live longer than expected. In this scenario, the funding level would fall by 1% (with a c£6m fall in the surplus).

4.4 Other risks

Regulatory

Changes in central government legislation may affect the future cost of the LGPS. For example, the cost to rectify the McCloud discrimination is estimated to be an increase in liabilities of £1m at this valuation. [Appendix 2](#) sets out potential regulatory changes which may impact future pension costs.

Climate change

Climate change has the potential to make extreme outcomes more likely which could in turn have a significant impact on the funding position. The Fund has carried out separate modelling to assess the potential impact of extreme outcomes on longer term funding. Further details on this are presented in [Appendix 4](#).

Post-valuation events

The results in this report are as at 31 March 2025. Since this date, asset performance has been positive and the funding position is likely to have improved as a result. However, short-term volatility in the funding position is to be expected due to the Fund's growth-orientated investment strategy. Given that the Fund aims to set long-term, stable funding strategies and contribution rates, and experience since 31 March 2025 is not abnormal, no allowance has been made for post-valuation events in setting employer contribution rates or the funding position at this valuation.

The Fund will continue to monitor the environment in which it participates to understand and manage the impact of any changes.

Final comments



5. Final comments

The Fund's valuation operates within a broader framework, and this document should be considered alongside the following:

- The Funding Strategy Statement which (in particular) highlights how different employers in different circumstances have their contributions calculated.
- The Investment Strategy Statement, which sets out the investment strategy for the Fund.
- The Fund's risk register.
- The general governance of the Fund, including meetings of the Pensions Committee and Local Pensions Board, decisions delegated to officers, the Fund's business plan, etc.

Throughout the valuation, relevant stakeholders in the Fund have been engaged, consulted and communicated with as appropriate. Details of the governance process followed during the valuation are set out in [Appendix 3](#).

Under the LGPS regulations, the next formal valuation of the Fund is due to be carried out as at 31 March 2028 where contribution rates payable from 1 April 2029 will be set.

March 26

For and on behalf of Hymans Robertson

Craig Alexander FFA C.Act



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Appendices

[London Borough of Hillingdon Pension Fund](#)

[Appendices](#)

[Appendix 1: Data](#)

[Appendix 2: Assumptions](#)

[Appendix 3: Governance audit trail](#)

[Appendix 4: Climate change scenario analysis](#)

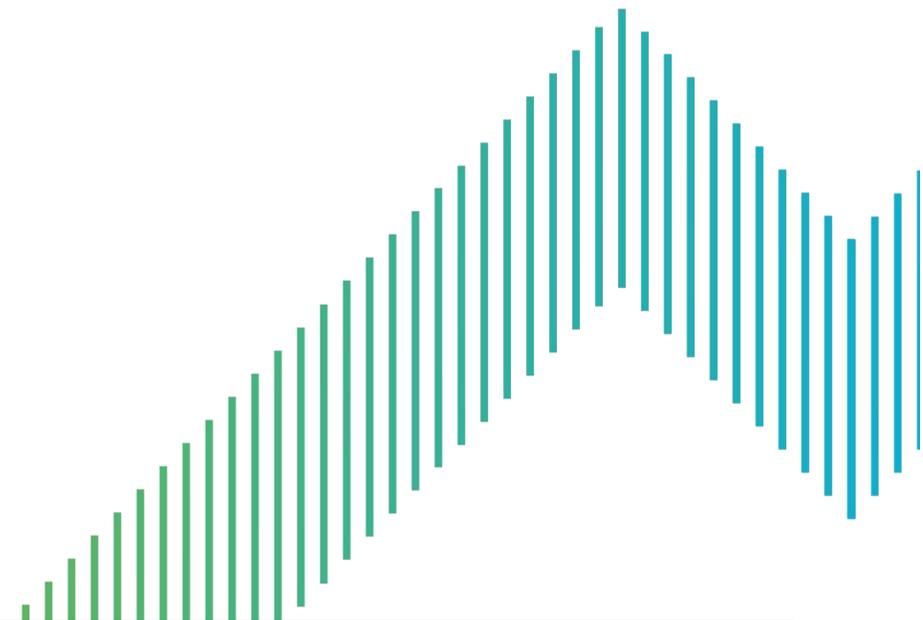
[Appendix 5: Section 13 dashboard](#)

[Appendix 6: Reliances & limitations](#)

[Appendix 7: Glossary](#)

[Appendix 8: Rates and Adjustments Certificate](#)

[Appendix 9: Gender pensions gap](#)



Appendix 1: Data

Membership data

The membership data used for the purposes of this valuation was provided by the Administering Authority on 09 July 2025.

A summary of the membership data used for this valuation is set out in Table 7, alongside corresponding data from the previous valuation for comparison. The membership numbers in the table relate to the total number of records.

The results of this valuation are dependent on the quality of the underlying data used. We have relied on information supplied by the Administering Authority and their administrator as being accurate. We have carried out a series of reasonableness validation checks on the supplied membership data and compared against the Fund's (unaudited) accounts to confirm its suitability for the purposes of this valuation.

More information on how we verify the quality of the data used in the valuation has been shared with the Administering Authority in our report 'Data Report for the 2025 Valuation'.

Whole Fund Membership Data	This Valuation 31 March 2025	Last Valuation 31 March 2022
Employee members		
Number	8,454	8,691
Total actual pay (£000)	198,053	152,450
Total accrued pension (£000)	29,976	23,167
Average age (liability weighted)	56	53
Deferred pensioners (including undecideds)		
Number	15,172	12,903
Total accrued pension (£000)	27,092	20,151
Average age (liability weighted)	55	53
Pensioners and dependants		
Number	8,641	7,675
Total pensions in payment (£000)	54,260	42,417
Average age (liability weighted)	71	70

Table 7: Membership data summary

Investment strategy

A summary of the investment strategy allocation used to derive the future assumed investment return is set out in Table 8.

This strategy was confirmed by the Administering Authority on 20 January 2025 as appropriate for the purposes of the valuation.

Asset data

To check the membership data and derive employer asset values, we have used asset and accounting data and employer-level cash flow data provided by the Fund

Asset class	Allocation
Global equities (hedged)	10.1%
Global equities (unhedged)	41.2%
Emerging market equity	3.2%
Private equity	0.3%
DGF Low Beta	4.5%
Index-linked gilts	7.5%
Multi-asset credit	9.4%
Infrastructure debt	5.0%
Property	13.4%
Private lending	4.9%
Cash	0.6%
Total	100%

Table 8: Investment strategy allocation used for the calculation of employer contribution rates.

Appendix 2: Assumptions

To set and agree assumptions for the valuation, the Fund carried out an in-depth analysis and review in April 2025 with the final set noted by the Pensions Committee in July 2025.

Summary of assumptions

	31 March 2025	31 March 2022
Financial assumptions		
Discount rate	6.3% p.a. (75% likelihood of success)	4.1% p.a. (71% likelihood of success)
Benefit increases (CPI inflation)	2.3% p.a.	2.7% p.a.
Salary increases	2.8% p.a.	3.2% p.a.
Demographic assumptions		
Baseline longevity	VitaCurves	VitaCurves
Longevity future improvements	CMI 2024 model with core parameterisation except Initial addition = 0.25% (Male & Female) Long-term rate of improvement 1.5% p.a.	CMI 2021 model Initial addition, A = 0.25% (both Male and Female) Smoothing factor, Sk = 7.0 Long-term rate of improvement = 1.5% p.a.
Commutation	50% of maximum under HMRC limits	55% of maximum under HMRC limits
50:50 scheme	0% of members elect to change scheme	0.6% of members
Retirement age	Earliest age at which members can retire with unreduced benefits	
Family statistics	Varying proportion have dependant at death Dependant of a male is 3.5 years younger than him Dependant of a female is 0.6 year older than her	Varying proportion have dependant at death Dependant of a male is 3 years younger than him Dependant of a female is 3 year older than her

Table 9: Summary of assumptions

Deriving future investment return likelihoods

To derive the distribution of future investment returns and obtain associated estimated likelihoods, we use the Fund’s long-term investment strategy and our Economic Scenario Service (ESS) model. The ESS uses statistical models to generate a future distribution of year-on-year returns for each asset class, eg UK equities. The ESS reflects correlations between asset classes and wider economic variables (eg inflation). In the short-term (first few years), the models are fitted with current financial market expectations. Over the longer-term, models are built around our views of fundamental economic parameters, for example equity risk premium, credit-spreads and long-term inflation. Table 10 sets out the individual asset class return distribution of the ESS model at 31 March 2025.

Time period	Percentile	Annualised total returns							Inflation/Yields		
		Cash	Property	Index Linked Gilts (medium)	UK Equity	Developed World ex UK Equity	Private Equity	Corp Medium A	Inflation (CPI)	17 year real yield (CPI)	17 year yield
5 years	16 th	3.5%	0.2%	1.7%	0.1%	-0.5%	-2.5%	2.5%	1.2%	1.5%	4.8%
	50 th	4.3%	6.8%	4.5%	8.2%	8.2%	10.0%	4.9%	2.8%	2.4%	5.8%
	84 th	5.1%	14.1%	7.5%	16.4%	16.9%	22.8%	7.1%	4.3%	3.3%	7.1%
10 years	16 th	3.6%	2.3%	2.7%	2.5%	2.1%	1.2%	4.5%	0.8%	0.8%	3.9%
	50 th	4.6%	7.3%	4.7%	8.6%	8.5%	10.2%	6.0%	2.5%	2.1%	5.3%
	84 th	5.8%	12.7%	6.9%	14.6%	14.8%	19.6%	7.3%	4.1%	3.3%	7.1%
20 years	16 th	3.1%	3.5%	2.9%	3.8%	3.7%	3.4%	5.5%	0.7%	-0.5%	1.6%
	50 th	4.5%	7.3%	4.6%	8.4%	8.3%	9.9%	6.5%	2.3%	1.3%	3.6%
	84 th	6.3%	11.3%	6.4%	12.9%	13.1%	17.0%	7.4%	3.9%	3.0%	6.2%
	Volatility (1 yr)	0%	15%	7%	16%	19%	27%	7%	1.4%	-	-

Table 10: ESS individual asset class return distributions at 31 March 2025

Demographic assumptions

The tables below set out sample rates for demographic assumptions at 5-year age intervals. All figures are incidence rates per 1,000 members except salary scale. FT and PT denote full-time and part-time active membership respectively.

Males

Age	Salary Scale	Death Before Retirement	Withdrawals		III Health Tier 1		II I Health Tier 2	
		FT & PT	FT	PT	FT	PT	FT	PT
20	105	0.17	420.48	609.76	0.00	0.00	0.00	0.00
25	117	0.17	277.74	402.77	0.00	0.00	0.00	0.00
30	131	0.20	197.07	285.73	0.00	0.00	0.00	0.00
35	144	0.24	153.97	223.22	0.10	0.07	0.02	0.01
40	151	0.41	123.96	179.66	0.16	0.12	0.03	0.02
45	159	0.68	116.44	168.72	0.35	0.27	0.07	0.05
50	167	1.09	95.98	138.92	0.90	0.68	0.23	0.17
55	173	1.70	75.58	109.45	3.54	2.65	0.51	0.38
60	174	3.06	67.37	97.51	6.23	4.67	0.44	0.33
65	174	5.10	41.35	59.85	11.83	8.87	0.00	0.00

Table 11: Sample rates for demographic assumptions – Males

Females

Age	Salary Scale	Death Before Retirement	Withdrawals		III Health Tier 1		II I Health Tier 2	
		FT & PT	FT	PT	FT	PT	FT	PT
20	105	0.10	422.91	411.29	0.00	0.00	0.00	0.00
25	117	0.10	284.56	276.71	0.10	0.07	0.02	0.01
30	131	0.14	238.54	231.92	0.13	0.10	0.03	0.02
35	144	0.24	205.88	200.09	0.26	0.19	0.05	0.04
40	151	0.38	171.35	166.48	0.39	0.29	0.08	0.06
45	159	0.62	159.90	155.33	0.52	0.39	0.10	0.08
50	167	0.90	134.81	130.81	0.97	0.73	0.24	0.18
55	173	1.19	100.59	97.71	3.59	2.69	0.52	0.39
60	174	1.52	81.07	78.65	5.71	4.28	0.54	0.40
65	174	1.95	38.64	37.47	10.26	7.69	0.00	0.00

Table 12: Sample rates for demographic assumptions - Females

Average life expectancies

Based on the longevity assumptions used for the 2025 valuation, Table 13 details the average life expectancy for the Fund's membership.

Average life expectancy	31 March 2025	31 March 2022
Male pensioner	22.2 years	22.3 years
Male non-pensioner	22.8 years	23.0 years
Female pensioner	24.8 years	24.8 years
Female non-pensioner	25.8 years	26.0 years

Table 13: Average life expectancies

The average life expectancies are from the age of 65. They assume that pensioners are aged 65 at the respective valuation date and non-pensioners are aged 45.

Benefit structure

Results are based on our understanding of the benefit structure of the LGPS in England and Wales on 31 March 2025 – see www.lgpsregs.org. However, there are areas of uncertainty and potential change.

- **McCloud:** in line with the 2022 valuation, we have made an allowance for the cost of these potential improvements, including McCloud data (where available). Further detail on the assumption is available on request.
- **Cost sharing mechanism:** we have assumed that there will be no changes required to the LGPS benefit structure due to this mechanism.
- **Guaranteed Minimum Pension equalisation and revaluation:** in line with the 2022 valuation, we have assumed that all increases on GMP for members with a State Pension Age after 5 April 2016 will be funded by the Fund.
- **Virgin Media case:** we have made no allowance for any impact that the Virgin Media case may have on the LGPS benefit structure.
- **Other benefit changes:** there may be benefit changes due to the current “Access and Fairness” consultation. We have not made any allowance for any changes to the benefit structure proposed in this consultation as we would not expect them to be material if implemented.

Local Government re-organisation: there may be a change in administering authority and participating employers due to Local-Government re-organisation. Consideration has been given to this potential transition when setting contribution rates for councils, however, final proposals for re-organisation are still under consideration.

Appendix 3: Governance audit trail

The triennial actuarial valuation is a significant exercise carried out by the Fund. This report is a summary of the main outputs from the triennial actuarial valuation. The outputs are the result of funding strategy analysis, discussions and Fund decisions throughout the valuation process. A high-level audit trail of the key funding strategy decisions is set out below.

Funding strategy

The **actuarial assumptions** were reviewed by the Fund in April 2025, supported by analytics and other information from the Fund Actuary. The assumptions were agreed by the Fund at the Pensions Committee meeting in May 2025.

The funding strategy parameters, which feed into the setting of employer contribution rates, were considered in stages.

- **Local authorities and academies:** review carried out in Q1 2025, including consideration of funding target, funding time horizon, likelihood of success, contribution stability mechanism and interaction with the Fund's investment strategy. The outcomes were discussed at the June 2025 Pensions Committee meeting.
- **Academies:** a full in-depth review of the funding strategy for academy schools was carried out in July 2025.
- **Other employers:** the funding strategy for the remaining employers in the Fund was reviewed by the Fund's Officers in July 2025. Other aspects of the funding strategy, including the approach to cessation valuations, exit credits, bulk transfers and new employers, were reviewed in Q3 2025.

The outcomes of these decisions were collated and documented in the Funding Strategy Statement and discussed at the September 2025 Pensions Committee meeting. The final version of the FSS is effective from 1 April 2026.

Stakeholder engagement

In addition, the Fund has engaged with employers and the Local Pensions Board throughout the valuation exercise. A summary of the engagement is detailed below.

- **Employer forums:** the employers forum on 13 November 2025 discussed the key themes of the 2025 valuation.
- **Employer results:** a results schedule setting out their 2025 valuation funding position and contribution rate was issued to relevant employers in November 2025. Employers were then offered the opportunity to engage with the Fund to discuss their results.
- **Funding Strategy Statement consultation:** the FSS was issued to employers in November 2025 with the opportunity to feed back comments or ask questions to the Fund by 31 January 2026.

Appendix 4: Climate change scenario analysis

Climate change is now widely regarded as one of the main sources of risk for pension funds, with potential implications for future **inflation, investment returns** and **longevity**. LGPS funds, given their long-term horizons, may face greater exposure to climate risks – and many stakeholders are asking what more can be done to understand the possible impact of these risks.

We have used two sets of scenario analysis to test the resilience of the funding strategy under potential climate-related risks.

Scenario analysis helps assess risks and tests the resilience of current and long-term strategies under various scenarios. This helps to identify vulnerabilities across both assets and liabilities.

Identification of these vulnerabilities can inform risk management processes helping to ensure that appropriate controls and mitigations are in place. Scenario analysis can therefore also support informed decision making, as well as ensuring compliance with regulations, including TCFD.

Scenario approach 1 – Stress testing

We take our usual 5000 simulations to see how an LGPS fund could evolve over 20 years. We then consider how quickly the world responds to climate risk in three scenarios (broadly speaking now, later or even later), with the simple assumption that in every case the response leads to intense disruption and a period of heightened market volatility. The scenarios are not explicitly designed to be “good” or “bad”, and we tend to see a modest impact on high level risk metrics.

Scenario approach 2 – Narrative driven

The new, narrative analysis complements the stress tests by imagining a specific climate-related trigger event and considering how that plays out under three different pathways.

We take a specific, extreme, downside risk event (in this instance a shock to the planet’s food supply) that could occur in the coming years. We then map out distinctive potential reactions to the event, considering things like market changes and policy responses and how these may evolve differently over time. This results in three distinct pathways.

Challenges and limitations

When interpreting the results, users should be aware of the following challenges and limitations in addition to the usual limitations of asset-liability modelling:

- All of the modelling results are ultimately based on the original 5,000 projections from our core model, so we are implicitly assuming that markets continue to function and that the assumed correlations, risk premia, volatilities etc are still valid.
- Neither set of climate scenarios is intended to be exhaustive, and other outcomes beyond what the scenarios cover are of course possible

Full details and results are included in the 2025 Climate Scenario Analysis results from the Fund’s contribution rate modelling exercise, and further detail on the scenario methodology is included in the [2025 valuation toolkit](#) .

Climate scenario stress test analysis – output summary

Below we set out the quantitative outputs from the ‘stressed’ climate scenarios. These reflect how the Fund may be impacted over the coming years should the world’s response to climate change reflect the one of our three qualitative scenario descriptions. The base case reflects the market having already priced in climate change, but not any one specific climate scenario.

Modelling results at 20-year time horizon				
Metric	Base case	Green revolution	Delayed transition	Head in the sand
Likelihood of success	79%	78%	75%	76%
Worst 5% of outcomes	52%	54%	48%	48%

Table 14: Summary modelling results in the base case and stress test scenarios

Overall, the impact on likelihood of success is modest over the 20-year horizon, suggesting that the level of prudence in the funding strategy has not been drastically underestimated due to climate risk. There is generally a greater impact on downside risk which is to be expected given that higher volatility will lead to a broader range of outcomes and this means that the worst outcomes get even worse.

The stress test scenarios are designed to test the entire range of funding outcomes. The above impact on downside risk suggests that the extremes merit further, dedicated investigation, particularly as climate change has the potential to make “extreme” outcomes more likely.

The narrative-driven scenario approach was introduced at the 2025 valuation to complement the stress tests by digging further into potential downside risks.

Narrative-driven scenario analysis – output summary

The chart below shows the likelihood of success in each of the three narrative scenarios. All of them begin with the same initial shock, and then the results diverge based on different imagined responses.

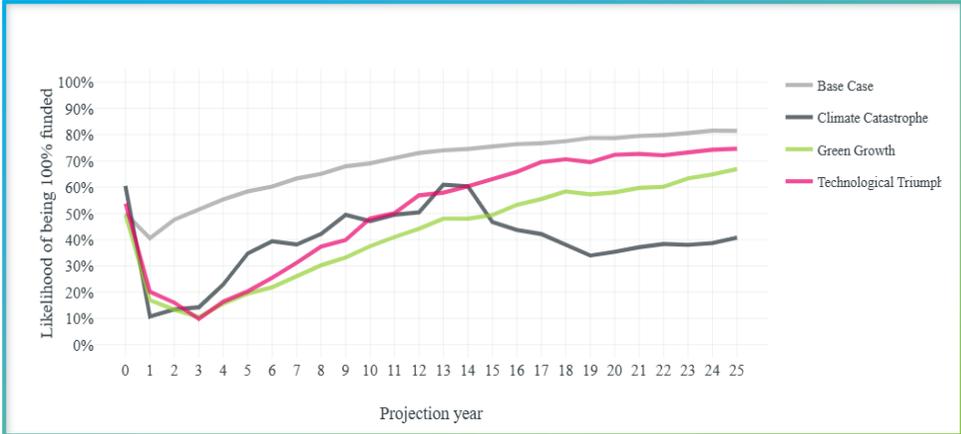


Chart 4: Likelihood of success in the base case and narrative-driven scenarios

Over medium time horizons of 5-10 years, we see improvement in the likelihood of success under each of the three scenarios, although all remain below both the base case and the level of success that is required by the Fund. Over longer time horizons of 10+ years we begin to see a divergence in the likelihood of success, with rapid response and technology investment supporting regrowth under the Green Growth and Technological Triumph pathways, but delayed action under Climate Catastrophe, instead leading to prolonged economic and social disruption and a likelihood of success below the Fund’s desired threshold.

There is therefore a plausible downside scenario prompted by a climate-related event that would put the Fund’s funding strategy at risk

Appendix 5: Section 13 dashboard

Metric	Unit	2025 valuation
2025 funding position – local funding basis		
Funding level (assets/liabilities)	%	118%
Funding level (change since previous valuation)	%	30% increase
Asset value used at the valuation	£m	1,410
Value of liabilities (including McCloud liability)	£m	1,199
Surplus (deficit)	£m	211
Discount rate – past service	% p.a.	6.3%
Discount rate – future service	% p.a.	Past service and future service are consistently valued with the same underlying assumptions, methodologies and models regarding future expected levels of inflation, interest rates and investment returns.
Assumed pension increase (CPI)	% p.a.	2.3%
Method of derivation of discount rate, plus any changes since previous valuation		There is a 75% likelihood that the Fund's assets will return at least 6.3% over the following the 2025 valuation date. This is the same methodology used for the 2022 valuation but with a higher likelihood (71% at 2022).

Metric	Unit	2025 valuation
Assumed life expectancy at age 65		
Life expectancy for current pensioners – men age 65	years	22.2
Life expectancy for current pensioners – women age 65	years	24.8
Life expectancy for future pensioners – men age 45	years	22.8
Life expectancy for future pensioners – women age 45	years	25.8
Past service funding position – SAB basis (for comparison purposes only)		
Market value of asset	£m	1,410
Value of liabilities	£m	1,507
Funding level on SAB basis (assets/liabilities)	%	94%
Funding level on SAB basis (change since last valuation)	%	4% decrease

Metric	Unit	2025 valuation	2022 valuation
Contribution rates payable			
Primary contribution rate	% of pay	19.5%	19.6%
Secondary contribution rate (cash amounts in each year)			
Secondary contribution rate - 1 st year of rates and adjustments certificate	£m	(1.028)	6.682
Secondary contribution rate - 2 nd year of rates and adjustments certificate	£m	(1.057)	6.897
Secondary contribution rate - 3 rd year of rates and adjustments certificate	£m	(1.087)	7.120
Giving total expected contributions			
Total expected contributions - 1 st year of rates and adjustments certificate (£ figure based on assumed payroll)	£m	39.778	38.741
Total expected contributions - 2 nd year of rates and adjustments certificate (£ figure based on assumed payroll)	£m	40.896	39.990
Total expected contributions - 3 rd year of rates and adjustments certificate (£ figure based on assumed payroll)	£m	42.046	41.279
Assumed payroll (cash amounts in each year)			
Total assumed payroll - 1 st year of rates and adjustments certificate	£m	209.647	163.257
Total assumed payroll - 2 nd year of rates and adjustments certificate	£m	215.541	168.520
Total assumed payroll - 3 rd year of rates and adjustments certificate	£m	221.601	173.952
3 year average total employer contribution rate	% of pay	19.0%	23.7%
Average employee contribution	% of pay	6.6%	6.7%
Employee contribution rate (£ figure based on assumed payroll of £210m)	£m p.a.	13.8	10.9

Metric	Unit	2025 valuation	2022 valuation
Deficit recovery and surplus spreading plan			
Latest deficit recovery period end date, where this methodology is used by the fund's actuarial advisor	Year	0%	0%
Earliest surplus spreading period end date, where this methodology is used by the fund's actuarial advisor	Year	0%	0%
The time horizon end date, where this methodology is used by the fund's actuarial advisor	Year	2045	2042
The funding plan's likelihood of success, where this methodology is used by the fund's actuarial advisor	%	Minimum 75%	Minimum 70%
Surplus Methodology		Explicit contribution stabilisation mechanism	Explicit contribution stabilisation mechanism
Surplus methodology & parameters explanation (including changes since previous valuation)		Employer contributions are limited to increase/decrease at most by 1% of pay pa to support long-term stability. The Fund has allowed a one-off immediate reduction (outwith the stabilisation parameters) in 2026/27 to support affordability.	Employer contributions are limited to increase/decrease at most by 1% of pay pa to support long-term stability..
Additional information			
Percentage of liabilities relating to employers with deficit recovery periods of longer than 20 years	%	0%	0%
Percentage of total liabilities that are in respect of Tier 3 employers	%	1%	7%
Included climate change analysis/comments in the 2025 valuation report		Yes	Yes

Gender pension gap statistic - Fund active mean CARE pension GPG	%	TBC	N/A
Gender pension gap statistic - Fund active mean combined Final Salary and CARE pension GPG	%	TBC	N/A
Gender pension gap statistic - Fund pensioner mean pension GPG	%	TBC	N/A

Appendix 6: Reliances & limitations

We have been commissioned by London Borough of Hillingdon ('the Administering Authority') to carry out a full actuarial valuation of London Borough of Hillingdon Pension Fund ('the Fund') at 31 March 2025, as required under Regulation 62 of the Local Government Pension Scheme Regulations 2013 ('the Regulations').

This report is addressed to the Administering Authority. It has been prepared by us as actuaries to the Fund and is solely for the purpose of summarising the main outcomes of the 2025 actuarial valuation. It has not been prepared for any other third party or for any other purpose. We make no representation or warranties to any third party as to the accuracy or completeness of this report, no reliance should be placed on this report by any third party and we accept no responsibility or liability to any third party in respect of it.

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This summary report is the culmination of other communications in relation to the valuation, in particular our:

- [2025 valuation toolkit](#) which sets out the methodology used when reviewing funding plans
- contribution rate modelling, including climate risk analysis, dated March 2025 which discusses the funding strategy for the Fund's stabilised employers
- paper dated 30 April 2025 which discusses the valuation assumptions
- paper dated 20 July 2025 which discussed the funding strategy for academy schools
- initial results report dated 28 August 2025 which outlines the whole Fund results and inter-valuation experience
- data report dated March 2026 which summarises the data used for the valuation, the approach to ensuring it is fit for purpose and any adjustments made to it during the course of the valuation

The totality of our advice complies with the Regulations as they relate to actuarial valuations.

We have also prepared the valuation with regard to the Funding Strategy Statement which details the approach taken by the Fund to fund the current and future benefits due to members.

The following Technical Actuarial Standards apply to this advice and have been complied with where material and to a proportionate degree. They are:

- **TAS100** – Principles for technical actuarial work
- **TAS300** – Pensions

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Appendix 7: Glossary

➤ **50:50 option**

An option for LGPS members to pay half employee contributions and earn half the retirement benefit (pre-retirement protection benefits are unreduced).

➤ **Asset-liability modelling**

An approach to modelling and understanding risk for a pension fund. The assets and liabilities are projected forwards into the future under many different future scenarios of inflation, investment returns and interest rates. The future scenarios are then analysed to understand the risk associated with a particular combination of contribution rates and investment strategy. Different combinations of contribution rates and/or investment strategies may be tested.

➤ **Baseline longevity**

The rates of death (by age and sex) in a given group of people based on current observed data.

➤ **VitaCurves**

The assumptions used for baseline longevity. These assumptions are provided by Club Vita, a firm of longevity experts we partner with for longevity analysis. They combine data from thousands of pension schemes and use it to create detailed longevity assumptions at member-level, as well as insight on general longevity trends and future improvements.

➤ **Commutation**

The option for members to exchange part of their annual pension for a one-off lump sum at retirement. In the LGPS, every £1 of pension exchanged gives the member £12 of lump sum. The amounts that members commute is heavily influenced by tax rules which set an upper limit on how much lump sum can be taken tax-free.

➤ **CPI inflation**

The annual rate of change of the Consumer Prices Index (CPI). The CPI is the UK government's preferred measure of inflation and is the measure used to increase LGPS (and all other public sector pension scheme) benefits each year.

➤ **Deferred pensioner**

A former employee who has left employment (or opted out of the pension fund) but is not yet in receipt of their benefits from the fund.

➤ **Demographic assumptions**

Assumptions concerned with member and employer choices rather than macroeconomic or financial factors. For example, retirement age or promotional salary scales. Demographic assumptions typically determine the timing of benefit payments.

➤ **Discount rate**

A number used to place a single value on a stream of future payments, allowing for expected future investment returns.

➤ **Employee (or active) members**

Members who are currently employed by employers who participate in the Fund and are paying contributions into the Fund.

➤ **ESS**

Economic Scenario Service - Hymans Robertson's proprietary economic scenario generator used to create thousands of simulations of future inflation, asset class returns and interest rates.

➤ **Funding position**

The extent to which the assets held by the Fund at 31 March 2025 cover the accrued benefits ie the liabilities.

The two measures of the funding position are:

- the funding level - the ratio of assets to liabilities; and
- the funding surplus/deficit - the difference between the asset and liabilities values.

➤ **Inflation**

Prices tend to increase over time, which is called inflation. Inflation is measured in different ways, using a different ‘basket’ of goods and mathematical formulas.

➤ **Liabilities**

An employer’s liability value is the single value at a given point in time of all the benefit payments expected to be made in future to all members. Benefit payments are projected using demographic and financial assumptions and the liability is calculated using a discount rate.

➤ **Longevity improvements**

An assumption about how rates of death will change in future. Typically, we assume that death rates will fall and life expectancies will improve over time, continuing the long-running trend.

➤ **Pensioner**

A former employee who is in receipt of their benefits from the fund. This category includes eligible dependants of the former employee.

➤ **Primary rate**

The estimated cost of future benefits, expressed in percentage of pay terms. The primary rate will include an allowance to cover the Fund’s expenses.

➤ **Prudence**

To be prudent means to err on the side of caution in the overall set of assumptions. We build prudence into the choice of discount rate by choosing an assumption with a prudence level of more than 50%. All other assumptions aim to be best estimate.

➤ **Prudence level**

A percentage indicating the likelihood that the assumed rate of investment return will be achieved in practice, based on the ESS model.

The higher the prudence level, the more prudent the assumed rate of investment return.

➤ **Secondary rate**

An adjustment to the primary rate, generally to reflect costs associated with benefits that have already been earned up to the valuation date. This may be expressed as a percentage of pay and/or monetary amount.

➤ **Withdrawal**

Refers to members leaving the scheme before retirement. These members retain an entitlement to an LGPS pension when they retire but are no longer earning new benefits.

Appendix 8: Rates and Adjustments Certificate

In accordance with Regulation 62 of the Regulations, we have assessed the contributions that should be paid into the Fund by participating employers for the period 1 April 2026 to 31 March 2029 to maintain the solvency of the Fund.

The method and assumptions used to calculate the contributions set out in this Rates and Adjustments Certificate are detailed in the Funding Strategy Statement dated April 2026 and in [Appendix 2](#) of the report on the 2025 actuarial valuation dated 31 March 2026. These assumptions underpin our estimate of the number of members who will become entitled to a payment of pensions under the provisions of the LGPS and the amount of liabilities arising in respect of such members.

Table 15 sets out the combined individual employer primary and secondary contribution rates for the period 1 April 2026 to 31 March 2029. The primary rate is the payroll weighted average of the underlying individual employer primary rates and the secondary rate is the total of the underlying individual employer secondary rates, calculated in accordance with the LGPS regulations and CIPFA guidance. The secondary rate has been shown both as a percentage of the projected pensionable pay and the equivalent monetary amount.

Primary rate		
	19.5% of pay	
Secondary rate	% of payroll	Equivalent monetary amount
2026/27	-0.5%	(1,028,000)
2027/28	-0.5%	(1,057,000)
2028/29	-0.5%	(1,087,000)

Table 15: Combined individual employer rates from 1 April 2026 to 31 March 2029

The required minimum contribution rates for each employer in the Fund are set out in the remainder of this certificate.

Craig Alexander FFA C. Act
2 March 2026
For and on behalf of Hymans Robertson LLP

Employer codes	Employer name	Primary rate (% of pay)	Secondary rate (% of pay)			Total contributions (Primary rate plus secondary rate)			Notes
			2026 /27	2027/28	2028/29	2026/27	2027/28	2028/29	
Scheduled Bodies									
	London Borough of Hillingdon Pool	19.3%	0.0%	0.0%	0.0%	19.3%	19.3%	19.3%	
	HRUC	19.8%	-3.0%	-3.0%	-3.0%	16.8%	16.8%	16.8%	
NQ3	Heathrow Travel Care	18.8%	-2.9%	-2.9%	-2.9%	15.9%	15.9%	15.9%	
N66	LHC Procurement Group	17.7%	0.0%	0.0%	0.0%	17.7%	17.7%	17.7%	
Academies									
	Bishop Ramsey Academy	20.4%	0.0%	0.0%	0.0%	20.4%	20.4%	20.4%	
	Diocese Of Westminster Academy Trust	20.0%	0.0%	0.0%	0.0%	20.0%	20.0%	20.0%	
	Eden Academy Trust	19.8%	-2.8%	-2.8%	-2.8%	17.0%	17.0%	17.0%	
	Elliot Foundation Academies Trust	20.0%	-0.1%	-0.1%	-0.1%	19.9%	19.9%	19.9%	
	Guru Nanak Academy Trust	20.0%	-2.2%	-2.2%	-2.2%	17.8%	17.8%	17.8%	
	Haydon Academy	20.0%	-2.0%	-2.0%	-2.0%	18.0%	18.0%	18.0%	
	LDBS Frays Academy Trust	20.2%	0.0%	0.0%	0.0%	20.2%	20.2%	20.2%	
	Middlesex Learning Partnership	19.8%	0.0%	0.0%	0.0%	19.8%	19.8%	19.8%	
	Partnership Learning	20.3%	-0.9%	-0.9%	-0.9%	19.4%	19.4%	19.4%	
	Rosedale Hewens Academy Trust	19.6%	0.0%	0.0%	0.0%	19.6%	19.6%	19.6%	
	The Park Federation Academy Trust	19.9%	-1.7%	-1.7%	-1.7%	18.2%	18.2%	18.2%	
	Uxbridge Academy	19.2%	-1.4%	-1.4%	-1.4%	17.8%	17.8%	17.8%	

Employer codes	Employer name	Primary rate (% of pay)	Secondary rate (% of pay)			Total contributions (Primary rate plus secondary rate)			Notes
			2026 /27	2027/28	2028/29	2026/27	2027/28	2028/29	
	Vanguard Learning Trust	19.9%	0.0%	0.0%	0.0%	19.9%	19.9%	19.9%	
NA4	Bishopshalt Academy	20.0%	3.0%	3.0%	3.0%	23.0%	23.0%	23.0%	
NA5	Charville Academy	20.1%	-1.6%	-1.6%	-1.6%	18.5%	18.5%	18.5%	
NB6	Park Academy West London	19.8%	-4.3%	-4.3%	-4.3%	15.5%	15.5%	15.5%	
NB7	Swakeleys Academy	19.7%	-3.5%	-3.5%	-3.5%	16.2%	16.2%	16.2%	
NBD	The Global Academy UTC Trust Ltd	19.5%	1.1%	1.1%	1.1%	20.6%	20.6%	20.6%	
NAR	UTC Heathrow	20.6%	-4.9%	-4.9%	-4.9%	15.7%	15.7%	15.7%	
NB9	Willows Academy	19.9%	3.6%	3.6%	3.6%	23.5%	23.5%	23.5%	
Other Admission Bodies									
NTK	CCS	24.9%	0.0%	0.0%	0.0%	24.9%	24.9%	24.9%	
NTX	Cucina - Bishopshalt Catering	19.9%	0.0%	0.0%	0.0%	19.9%	19.9%	19.9%	
N2Z	Cucina Ltd (VLT Ryefield School)	20.2%	0.0%	0.0%	0.0%	20.2%	20.2%	20.2%	
N2X	Glen Group Ltd (Meadow High School)	23.2%	0.0%	0.0%	0.0%	23.2%	23.2%	23.2%	
NT5	Greenwich Leisure Limited	18.4%	7.6%	7.6%	7.6%	26.0%	26.0%	26.0%	
N34	Hayward Services (VLT-Field End Junior)	25.2%	0.0%	0.0%	0.0%	25.2%	25.2%	25.2%	
N36	Hayward Services (VLT-Hermitage Primary School)	21.9%	0.0%	0.0%	0.0%	21.9%	21.9%	21.9%	
N54	Haywards Ryefield School	18.6%	0.0%	0.0%	0.0%	18.6%	18.6%	18.6%	
N33	Haywards Services - Guru Nanak Academy	23.4%	0.0%	0.0%	0.0%	23.4%	23.4%	23.4%	

Employer codes	Employer name	Primary rate (% of pay)	Secondary rate (% of pay)			Total contributions (Primary rate plus secondary rate)			Notes
			2026 /27	2027/28	2028/29	2026/27	2027/28	2028/29	
NT6	Hillingdon Care Contract	24.9%	1.1%	1.1%	1.1%	26.0%	26.0%	26.0%	
N37	Junior Adventure Group (Sacred Heart)	21.6%	0.0%	0.0%	0.0%	21.6%	21.6%	21.6%	
NTY	Pabulum - West Drayton Catering	19.5%	0.0%	0.0%	0.0%	19.5%	19.5%	19.5%	
N05	Park Academy Cleaners - HPS Services	23.8%	0.0%	0.0%	0.0%	23.8%	23.8%	23.8%	
N08	ServiceMaster Clean - Belmore Academy	24.1%	0.0%	0.0%	0.0%	24.1%	24.1%	24.1%	
N38	The Pantry (UK) Limited (Frays Academy - St Matthews)	21.6%	0.0%	0.0%	0.0%	21.6%	21.6%	21.6%	

Notes to the Rates & Adjustments Certificate

- Contributions expressed as a percentage of payroll should be paid into the Fund at a frequency in accordance with the requirements of the Regulations.
- Further sums should be paid to the Fund to meet the costs of any early retirements and/or augmentations using methods and factors issued by us from time to time or as otherwise agreed.
- Payments may be required to be made to the Fund by employers to meet the capital costs of any ill-health retirements that exceed those allowed for within our assumptions.
- Any new employers or admission bodies joining the Fund should be referred to the Fund Actuary to assess the required level of contribution. Depending on the number of transferring members the ceding employer's rate may also need to be reviewed.
- Any employer who ceases to participate in the Fund should be referred to the Fund Actuary in accordance with Regulation 64 of the LGPS regulations.
- The certified contribution rates represent the minimum level of contributions to be paid. Employing authorities may pay further amounts at any time and future periodic contributions may be adjusted on a basis approved by the Fund Actuary.



Appendix 9: Gender pensions gap

TBC

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London Borough of Hillingdon Pension Fund Funding Strategy Statement April 2026

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

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

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

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

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

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

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

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

1.1 What are the funding strategy objectives?

The funding strategy objectives are to:

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

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

1.2 Who is the FSS for?

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

Different types of employers participate in the Fund:

Scheduled bodies

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

Designating employers (otherwise known as Resolution bodies)

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

Admission bodies

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

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

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

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

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

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

1.4 How often is the Funding Strategy Statement reviewed?

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

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

Amendments to the FSS may be in the following circumstances:

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

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

In undertaking such reviews, the administering authority should consider:

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

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

1.5 Links to Administration Strategy

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

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

1.6 Actuarial valuation report

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

PART A – Key Funding Principles

2 How does the Fund calculate employer contributions?

2.1 Calculating contribution rates

Employee contribution rates are set by the LGPS regulations.

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

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

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

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

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

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

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

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

2.2 The contribution rate calculation

Table 1: contribution rate calculation for individual or pooled employers

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

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

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

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

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

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

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

2.3 Making contribution rates stable

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

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

Table 2: current stabilisation approach

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

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

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

2.4 How does the funding strategy link to the investment strategy

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

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

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

Asset class	Allocation
Equities	57%
Index Linked Gilts	7%
Private Credit	8%
Property	8%
Infrastructure	8%
ESG Impact	5%
Multi Asset Credit	7%
Cash	0%

2.5 Does the funding strategy reflect the investment strategy?

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

2.6 Reviewing contributions between valuations

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

2.7 What is pooling for funding and contribution rate purposes?

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

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

2.8 What is pooling for contribution rate purposes only?

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

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

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

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

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

2.9 Administering authority discretion

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

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

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

2.10 Non cash funding

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

2.11 Managing surpluses and deficits

The funding strategy is designed to ensure that all employers are at least fully funded on a prudent basis at the end of their own specific time horizon. The uncertain and volatile nature of pension scheme funding means that it is likely there will be times when employers are in surplus and times when employers are in deficit. The funding strategy recognises this by 1) including sufficient prudence to manage the effect of this over the time horizon, and 2) making changes to employer contribution rates to ensure the funding strategy objectives are met.

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

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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.

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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 E](#), the fund actuary projects the expected benefits for all members into the future. This is expressed as a single value – the liabilities – by allowing for expected future investment returns.

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

4.3 What is a funding level?

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

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

PART B – Employer Events

5 What happens when an employer joins the Fund?

5.1 When can an employer join the Fund

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

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

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

5.2 New academies

Academies converting from local authority status

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

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

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

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

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

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

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

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

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

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

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

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

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

5.3 New admission bodies as a result of outsourcing services

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

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

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

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

5.4 Other new employers

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

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

5.5 Risk assessment for new admission bodies

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

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

This must cover some or all of the:

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

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

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

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

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

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

7.2 What happens on cessation?

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

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

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

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

The cessation policy is in Appendix G.

7.3 What happens if there is a surplus?

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

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

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

7.4 What happens if there is a deficit?

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

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

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

7.5 What if an employer has no active members?

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

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

8 What are the statutory reporting requirements?

8.1 Reporting regulations

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

- Compliance
- Consistency
- Solvency
- Long term cost efficiency

8.2 Solvency

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

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

8.3 Long-term cost efficiency

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

Relative factors include:

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

Absolute factors include:

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

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

Appendices

Appendix A – The regulatory framework

A1 Why do Funds need a funding strategy statement?

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

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

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

A2 Consultation

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

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

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

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

A3 How is the FSS published?

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

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

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

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

Appendix B – Roles and responsibilities

B1 The administering authority is required to:

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

B2 Individual employers are required to:

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

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

B3 The fund actuary should:

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

B4 Local Pension Boards (LPB):

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

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

B5 Employer guarantors

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

2. Other bodies with a financial interest (outsourcing employers)

3. Any other guarantor

B6 Other parties:

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

Appendix C – Glossary

Actuarial certificates

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

Actuarial valuation

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

Administering Authority (referred to as ‘the Fund’)

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

Admission agreement

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

Assumptions

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

Code of Practice

The Pensions Regulator’s General Code of Practice.

Debt spreading arrangement

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

Deferred debt agreement

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

Employer covenant

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

Funding level

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

Fund valuation date

The effective date of the triennial Fund valuation.

Guarantee / guarantor

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

Local Pension Board

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

Non-statutory guidance

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

Notifiable events

Events which the employer should make the Administering Authority aware of

Past service liabilities

The cost of pensions already built up or in payment

Pension committee

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

Pensions Administration Strategy

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

Primary and secondary employer contributions

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

Rates and adjustments certificate

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

Scheme Manager

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

Appendix D – Risks and controls

D1 Managing risks

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

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

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

D2 Employer covenant assessment and monitoring

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

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

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

D3 Climate risk and TCFD reporting

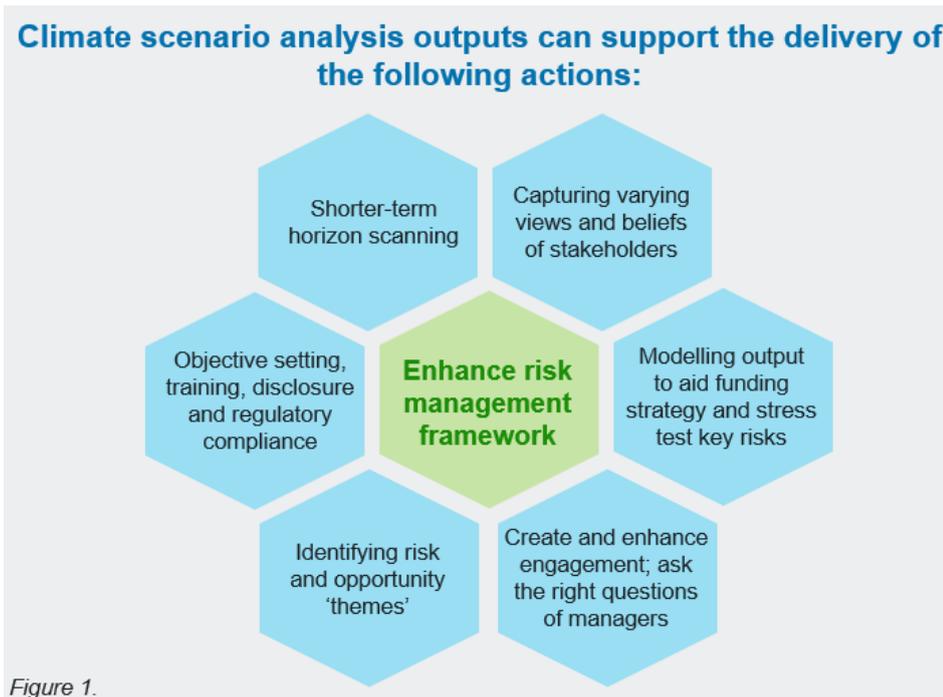
The Fund has considered climate-related risks when setting the funding strategy. The Fund has carried out climate scenario analysis incorporating both stress testing, and narrative-based scenario analysis for the local authority employers at the 2025 valuation. The narrative approach explores the complex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

The results show that:

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

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

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



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

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

Appendix E – Actuarial assumptions

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

E1 What are actuarial assumptions?

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

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

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

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

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

E2 What funding bases are operated by the Fund?

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

E3 What financial assumptions are used by the fund?

Discount rate

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

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

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

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

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

CPI inflation

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

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

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

Salary growth

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

E4 Further detail on the calculation of financial assumptions

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

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

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

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

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

E5 What demographic assumptions were used?

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

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

Life expectancy

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

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

Other demographic assumptions

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

Males

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

Females

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

Appendix F – Contribution review policy

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

F1 Guidance and regulatory framework

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

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

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

F2 Statement of principles

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

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

F3 Circumstances for review

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

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

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

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

F4 Employer requests

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

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

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

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

F5 Other employers

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

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

The Fund will consult with other Fund employers as necessary.

F6 Effect of market volatility

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

F7 Documentation

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

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

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

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

Appendix G – Cessation policy

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

F1 – Where there is a surplus on exit

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

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

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

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

F2 – Where there is a deficit on exit

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

Deferred spreading arrangement (DSA)

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

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

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

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

Deferred Debt Agreement (DDA)

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

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

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

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

The Administering Authority will normally require:

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

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

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

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

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

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GOVERNANCE Part I

Item 7

Committee	Pensions Committee
Officer Reporting	Pete Carpenter, Finance Tunde Adekoya, Finance
Papers with report	Responsible Investment Policy

HEADLINES

This report is to enable the Pension Committee to approve the updated Responsible Investment Policy.

RECOMMENDATIONS

That the Committee:

- 1. Note and Approve Draft Responsible Investment Policy**

SUPPORTING INFORMATION

Draft Responsible Investment Policy

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

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

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

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

Responsible investment (RI)

Classification: Public
Pensions Committee 24 March 2026

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

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

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

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

Key considerations

5.5 As set out in Chapter 2, in setting their investment strategy AAs should consider all factors, including ESG factors, that are financially material to performance of their investments and the impact of their investments. AAs may also take non-financial considerations into account provided that doing so would not involve risk of significant financial detriment to the fund, and where they have good reason to think that scheme members would support their decision.

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

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

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

Summary of Draft RI Policy March 2026

1. Transition to Full Asset Pooling:

Classification: Public

Pensions Committee 24 March 2026

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

2. Strengthened Climate Commitments:

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

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

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

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

4. New Target for Impact Investments:

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

5. Updated Approach to Stewardship and Engagement:

The 2026 policy significantly expands the stewardship framework, detailing:

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

6. Controversial Weapons:

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

7. Revised Governance, Monitoring and Reporting

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

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

Theme	2023 RI Policy Position	2026 Draft RI Policy Position	Nature of Change
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Classification: Public
Pensions Committee 24 March 2026

Asset Pooling & Implementation	Assets invested through mix of external managers and LCIV, Fund responsible for manager oversight and implementation.	All Fund assets to transfer to LCIV by 31 March 2026 ; LCIV responsible for implementation of RI policy, selection of underlying managers and advice.	Major operational shift to full pooling; LCIV becomes implementation body.
Net Zero Commitments	No specific Net Zero target stated.	Fund supports Hillingdon Council's 2050 Net Zero target ; LCIV committed to 2040 Net Zero , enabling Fund compliance.	New climate commitments and alignment with LCIV timelines.
ESG Framework & Approach	Fund sets ESG expectations directly for managers; encourages PRI/Stewardship Code signatory status.	LCIV expected to ensure managers integrate ESG; expectations routed via LCIV. New detailed ESG belief structure.	Shift in operational responsibility from individual managers to LCIV.
SDGs	No reference to UN Sustainable Development Goals.	Four priority SDGs identified: SDG 13, SDG 8, SDG 3, SDG 10.	New SDG framework introduced.

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.

Classification: Public

Pensions Committee 24 March 2026

London Borough of Hillingdon Responsible Investment Policy 2026

(Updated March 2026)

DRAFT



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DRAFT

1. INTRODUCTION

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

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

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

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

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

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

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

Development of policy

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

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

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

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

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

Compatibility with other policies

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

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

Policy Scope

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

How We Invest

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

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

Risks

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

Compliance

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

Responsibilities and Governance

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

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

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

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

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

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

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

DEFINITIONS

Responsible Investment (RI)

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

Environmental

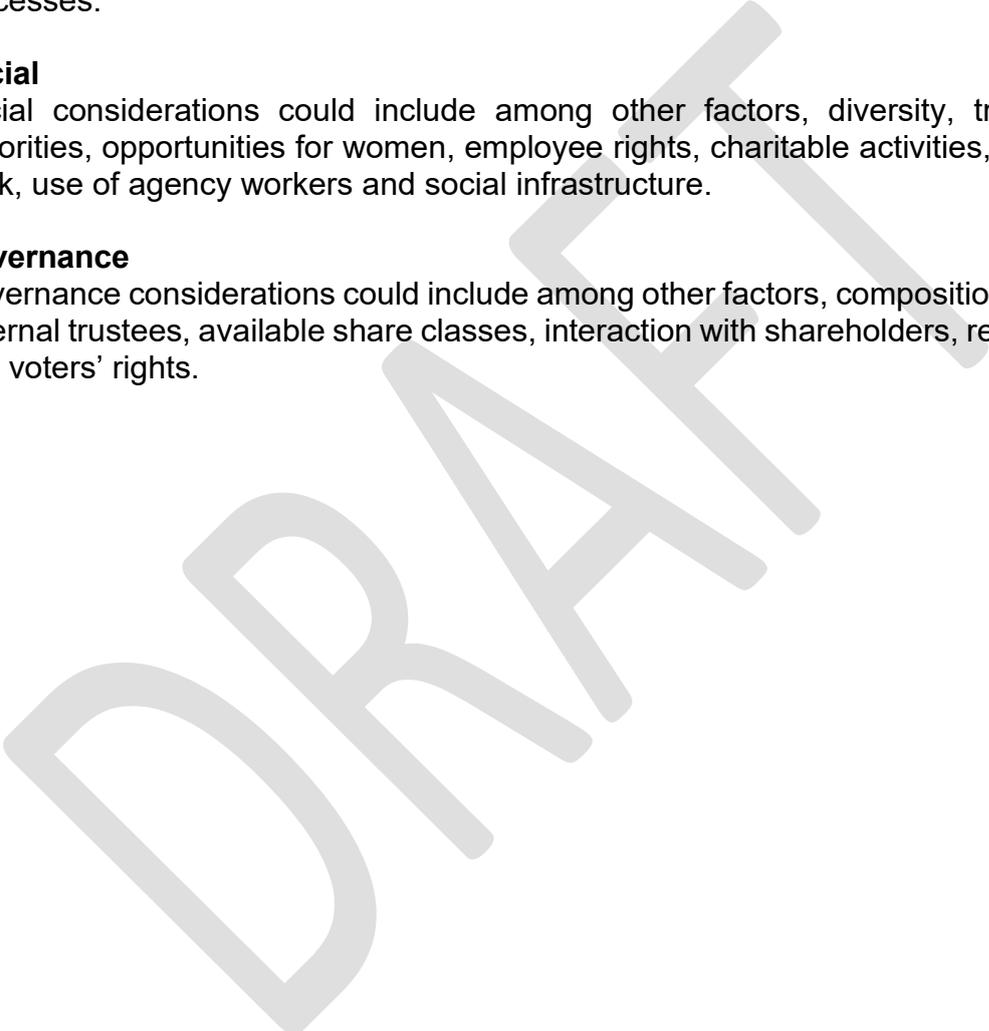
Environmental considerations could include among other factors, energy usage, waste disposal, raw materials sourcing, carbon emissions, water usage and recycling processes.

Social

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

Governance

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



2. INVESTMENT OBJECTIVES, ESG BELIEFS & APPROACH

2.1 Investment Objectives

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

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

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

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

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

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

3. ESG Beliefs

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

3.1 Risk Management

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

3.2 Approach/Framework

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

3.3 Voting & Engagement

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

not produced positive results.

3.4 Reporting & Monitoring

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

3.5 Collaboration

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

3.6 ESG Approach

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

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

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

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

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

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

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

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

Sustainable investment policies should provide:

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

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

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

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

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

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4. RESPONSIBLE INVESTMENT FRAMEWORK

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

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

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

4.2 Net Zero Target

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

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

4.3 RESPONSIBLE INVESTMENT IMPLEMENTATION

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

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

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

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

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



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

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

5. ENAGEMENT AND ACTIVE OWNERSHIP

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

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

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

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

5.2 LCIV's Engagement and Escalation Process

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

5.3 The Engagement Approach

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

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

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

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

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



5.4 Escalation Steps

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

Possible escalation steps include:

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

pressure on a specific issue.

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

5.5 UN Sustainable Development Goals (SDGs)

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

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

Environment

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

Economic

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

Social

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

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

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

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

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

5.6 Committee's Ambition

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

5.7 Exclusions

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

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

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

March 2026

6. Appendix



DRAFT

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INVESTMENT STRATEGY STATEMENT

ITEM 8

Committee

Pensions Committee

Officer Reporting

Pete Carpenter - Finance
Babatunde Adekoya - Finance

Papers with this report

- Investment Strategy Statement

RECOMMENDATIONS

It is recommended that Pensions Committee:

1. Note and Approve the Draft Investment Strategy Statement

SUMMARY

This report provides details of the Investment Strategy Statement, in response to the outcomes of the triennial valuation.

INFORMATION

DRAFT INVESTMENT STRATEGY STATEMENT

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

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

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

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

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

Classification: Members' Only and Not for Publication
Pensions Committee 24 March 2026

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

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

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

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

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

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

The changes are forecast to increase the modelled investment return from 9.1% to 9.4% but with a small increase in the Value at Risk (VAR) from £502m to £517m.

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Pensions Committee 24 March 2026

This ISS had been circulated to LCIV for comment and feedback is expected shortly.

FINANCIAL IMPLICATIONS

Financial implications are contained within the body of the report.

LEGAL IMPLICATIONS

There are no legal implications in the report.

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London Borough of Hillingdon Pension Fund

Investment Strategy Statement

January 2026

DRAFT



HILLINGDON
LONDON

www.hillingdon.gov.uk

1. Introduction

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

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

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

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

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

The Investment Strategy Statement required by Regulation 11 must include:

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

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

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

2.1 Investment Objectives

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

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

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

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

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

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

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

3. Investment of money in a wide variety of investments

3.1 Asset allocation

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

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

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

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

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

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

Asset Class	Strategic Asset Allocation*	Tolerance Range (±%)
Listed Equity	49%	39% - 59%
Private Equity	8%	0 – 12%
Private Credit	8%	4% - 12%

Property / Real Estate	8%	4% - 13%
Infrastructure	8%	4% - 12%
Other alternatives	5%	2% - 8%
Credit	7%	4% - 10%
UK Government Bonds	7%	2% - 12%
Cash	0%	0 – 5%

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

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

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

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

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

Equities

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

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

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

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

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

UK Government Bonds, Credit & Private Credit

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

Infrastructure

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

Property and UK Residential Housing

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

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

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

4.1 London CIV

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

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

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

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

4.2 Pool Governance

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

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

the London Borough of Hillingdon Pensions Committee.

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

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

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

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

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

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

4.3 Investment implementation

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

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

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

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

4.4 Investment Governance

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

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

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

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

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

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

4.5 Performance Measurement

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

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

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

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

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

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

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

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

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

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

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

The Pensions Committee analyse the level of risk and the drivers of risk and monitor and review the investment strategy and investment performance on an ongoing basis and take mitigating action where required. This may include rebalancing the allocation of assets when the allocations to asset classes breach the pre-agreed ranges.

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

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

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

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

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

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

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

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

The Fund has prepared a Responsible Investment policy which outlines its approach ESG including the Stewardship Code and can be found at [Pension fund documents - Hillingdon Council](#)

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

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

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

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

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

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

8. Local investment

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

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

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

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

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

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

9. Consultation and Publication

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

The agreed ISS will be published on the website.

March 2026

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INVESTMENT STRATEGY and FUND MANAGER PERFORMANCE (Part I)	ITEM 9
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Committee	Pensions Committee
Officer Reporting	Tunde Adekoya, Finance Pete Carpenter, Finance
Papers with this report	LCIV Executive Summary 31 December 2025 Hymans Interim Valuation Report 31 December 2025 NT performance report on shared drive LCIV Performance reporting on shared drive

HEADLINES

The Fund officers and LCIV team have worked collaboratively to produce ‘easy to digest’, dashboard executive summary which draws out highlights of the performance and funding position as well as providing an easy access format for additional investment related information and statistics.

Attached is the report for quarter ending 31 December 2025 for review and comment.

RECOMMENDATIONS

It is recommended that Pensions Committee:

- 1. Note the funding and performance update.**

Summary of Key Insights to LCIV Executive Report

Funding & Liabilities

- The funding level fell to 127%, a 19% quarterly decline, driven by a £230m increase in liabilities. This step change is a combination of the following factors:

- The tracking of the funding position up to 30 September 2025 will have been based on the 31 March 2022 funding valuation results as a starting point (and using the assumptions and prudence levels adopted for that valuation).
- When we provided the 31 December 2025 funding update, we updated our systems to now allow for the 31 March 2025 funding valuation results. This captures all the new membership data experience, financial and demographic assumptions and leads to step change once every three years. The biggest step change from the 2025 valuation is on the financial assumptions (i.e. the discount rate) as a result of the increased prudence level adopted compared to the previous valuation.

Classification: Public
Pensions Committee 24 March 2026

- Assets rose to £1.58bn, a 2.64% increase in market value.

Investment Performance

- Fund returned 2.8%, outperforming benchmark by 0.1%.
- Strongest performers: LCIV Global Equity Value Fund; Absolute Return Fund.
- Underperformance: LCIV Global Alpha Growth Paris-Aligned Fund.

Market Overview (Q4 2025)

- Geopolitical tensions persisted (Ukraine, Middle East) but markets remained stable.
- Growth stocks rebounded; Health Care sector led global performance.
- Most G-10 central banks cut rates; gold reached record levels.

Asset Allocation

- Global equities: 58% (above 51% strategic target).
- Property overweight at 12% vs 7% target.

Manager Monitoring

- Value Fund strong; Alpha Growth Fund monitored for underperformance.
- Absolute Return Fund strong full-year performance.

Fund Development

- LCIV progressing Fit-for-the-Future reforms.
- New LCIV Global Core Equity Fund expected Q2 2026.

Outlook for 2026

- Positive global growth expectations driven by AI investment and supportive fiscal/monetary policy.

FINANCIAL IMPLICATIONS

The financial implications are contained within the body of the report.
The executive summary report is provided by LCIV without charge.

LEGAL IMPLICATIONS

There are no legal implications in the report.

Quarterly Executive Summary

30 September 2025 - 31 December 2025

1 Funding and Liabilities

127%
The Funding level decreased by (19)% this quarter

£1.27bn
The liabilities increased by £230m over the quarter.

Source: Hymans actuarial data.

2 Pension Assets

1.58bn
market value this quarter.

2.64%
increase in market value this quarter

Source: Northern Trust custody data

3 Investment Performance

2.8%
The Fund returned 2.8% this quarter.

0.1%
The Fund outperformed its benchmark by 0.1% this quarter

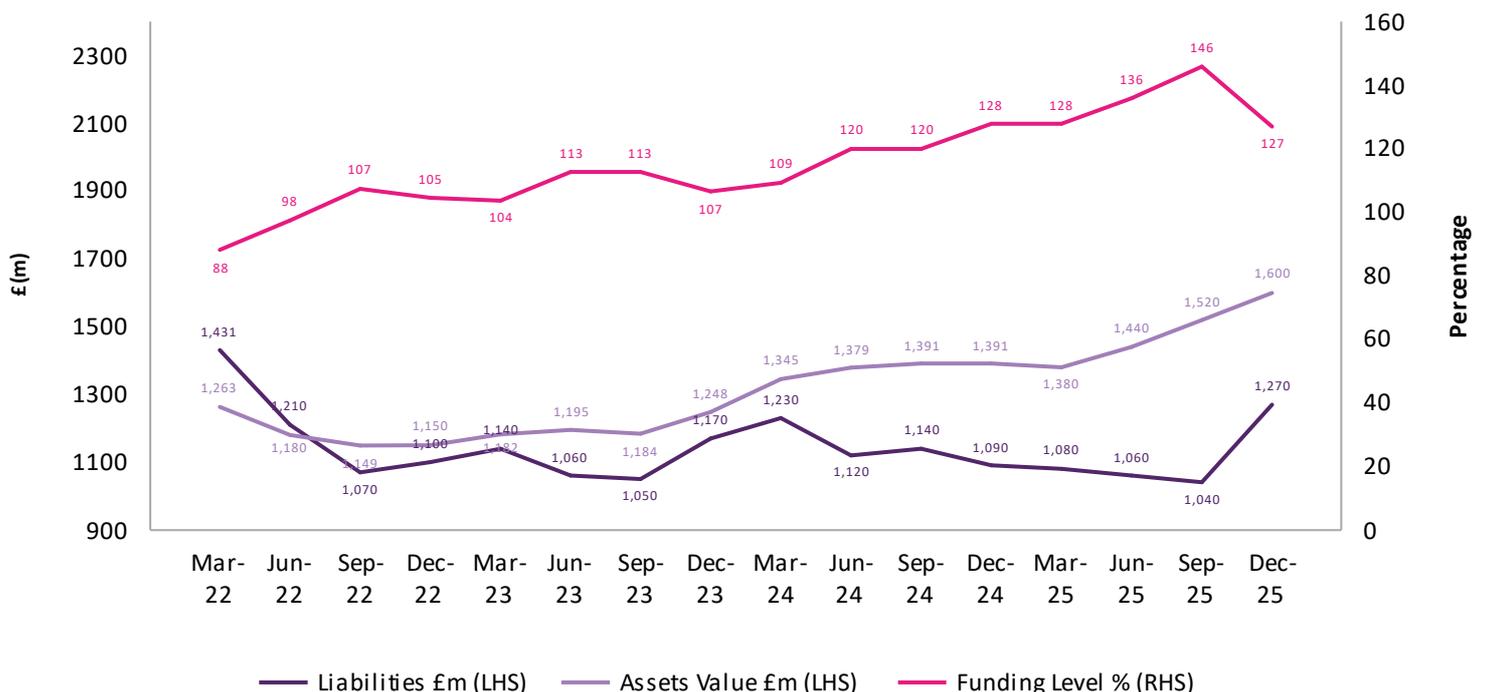
Source: Northern Trust custody data

Assumptions to calculate liabilities	31 Mar 2022	31 Dec 2025
Funding Level (%)	88	127
Deficit/Surplus (£m)	(171)	340
Funding basis	Ongoing	Ongoing
Discount rate (%p.a.)	4.1	6.2
Pension increases (%p.a.)	2.7	2.3

- Salary increases are assumed to be 0.5% above pension increases, plus an additional promotional salary scale.
- Discount rate methodology: Expected returns on the entire strategy over 20 years with a 70% likelihood.
- Pension increase methodology: Expected CPI inflation over 20 years with a 50% likelihood.

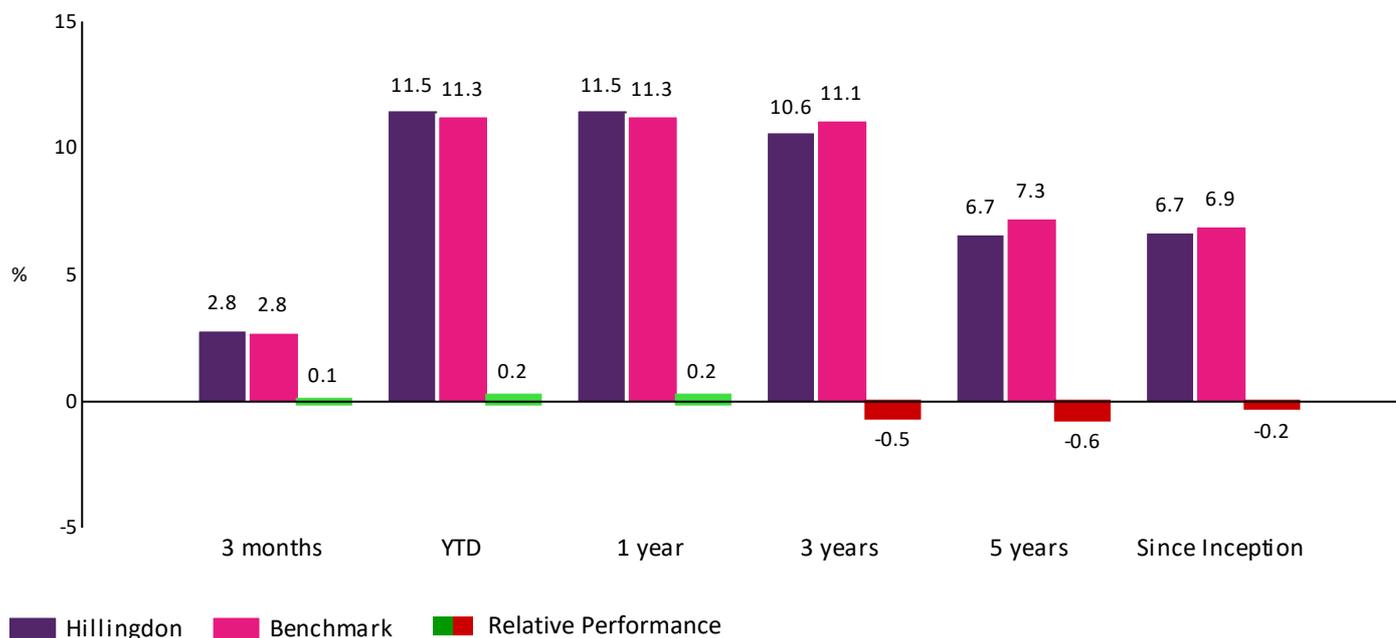
Funding Level By Progression

Source: Hymans actuarial data.



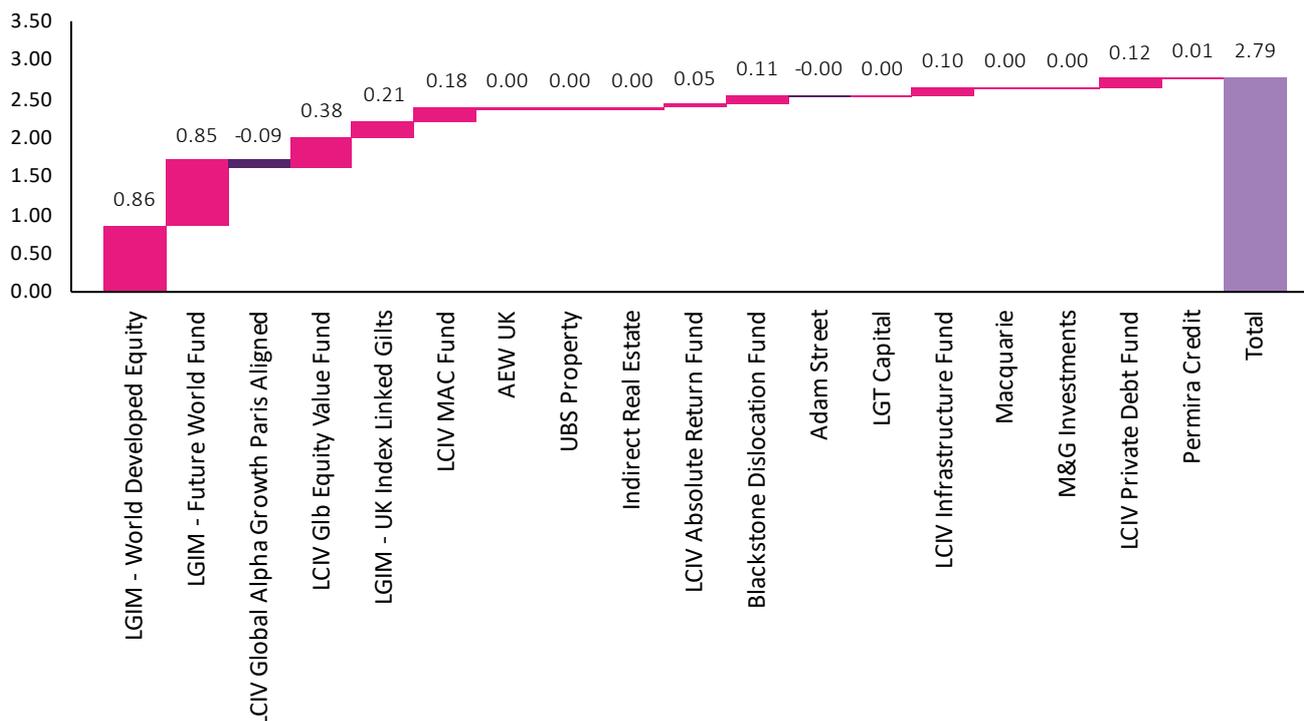
Source: Hymans actuarial data.

Performance: Total Fund vs Benchmark



Source: Northern Trust custody data as of 31 December 2025.
Returns are gross of fees and annualised for periods greater than 1 year.

Manager Contribution to Total Return - Q4 2025



Source: Northern Trust custody data as of 31 December 2025.
Returns are gross of fees.

Commentary

Economies and Markets Update – Q4 2025

The final quarter of 2025 unfolded against a backdrop of persistent geopolitical strain and ongoing policy uncertainty. Hopes for diplomatic progress faded as the conflict in Ukraine remained unresolved and external tensions deepened, while developments in the Middle East added fresh concerns over broader regional instability. These geopolitical pressures—combined with shifting global trade dynamics, evolving central bank policy, and mounting government debt and deficit worries—ranked among investors’ leading anxieties throughout the year. Yet despite this challenging environment, financial markets remained relatively composed compared with earlier periods, as investors grew increasingly accustomed to navigating these key risks.

As shown in the chart below market valuations for risk assets such as equities ended the year at elevated levels relative to history, with many risk-asset classes trading near the top of their valuation ranges over the past two decades. By contrast, bond yields closed 2025 at comparatively high levels versus their long-term history, resulting in much lower valuations across fixed income rates markets.

Asset class valuations - YE 2024/25 compared to history



Source: MSCI, S&P, Bloomberg, 31/12/2025. Equities - Bloomberg Earnings Yield - a high percentile indicates a relatively low earning yield compared to history. Spreads - a high percentile indicates relatively low spreads compared to history. Yields/Rates - a low percentile indicates a relatively high yield compared to history

Equities

U.S. exceptionalism and market concentration remained prominent themes in Q4 2025. By year end, the ten largest U.S. companies accounted for roughly 39% of the S&P 500’s market capitalisation, with a combined valuation exceeding \$23 trillion. For perspective, this figure is broadly equivalent to the total market value of all large cap equities across Canada, France, Germany, Japan, Switzerland, and the U.K. combined.

The rapid expansion of AI related investment remained a key driver of equity markets—and at times a source of volatility. Major technology firms continued to ramp up

spending on advanced hardware, data centre capacity, and next generation AI models. This sustained capex cycle supported equities with a growth tilt over recent years, with AI aligned companies outperforming. Growth stocks rebounded strongly from April, outpacing value, though the gap has narrowed in Q4 2025. This can be seen in the chart below.

MSCI World Equity Index - Growth vs Value



Source: MSCI, Bloomberg (0-1045), as at 31/12/2025

Source: Bloomberg, 31 December 2025

Equity market performance by sector

Health Care led global sector performance in Q4 as investors rotated toward higher quality, defensive assets latterly. Slowing inflation and a more predictable monetary policy backdrop boosted sentiment toward businesses with resilient cash flows and less cyclicality. Improving margins and steady earnings revisions further supported the sector.

Sector	Average Weight (%)	Q4 2025 Return	Q4 contribution to Return
Communication Services	8.7	4.8%	0.4
Consumer Discretionary	10.1	0.9%	0.1
Consumer Staples	5.4	1.5%	0.1
Energy	3.4	2.1%	0.1
Financials	16.6	4.8%	0.8
Health Care	9.6	10.7%	1.0
Industrials	11.1	1.5%	0.2
Information Technology	27.6	1.4%	0.4
Materials	3.2	5.3%	0.2
Real Estate	1.9	-2.3%	0.0
Utilities	2.6	2.3%	0.1
MSCI World Index (GBP)	100.0	3.2%	3.2

Sector performance of equities in Q4 2025 (GBP terms, MSCI classifications and based on the MSCI World Index)

Source: Bloomberg, 30 September 2025

Western European markets outperformed the U.S., with the FTSE 100 up 5.3% and Euro STOXX gaining 4.4%. Easing inflation and higher rate cut expectations helped drive a rotation into European markets, which benefited from more attractive valuations and improving macro conditions.

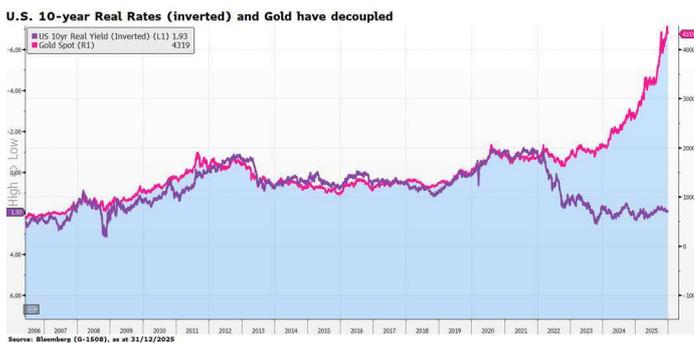
Region	Average Weight (%)	Q4 2025 Return	Q4 contribution to Return
Africa / Middle East	0.3	6.3%	0.0
Asia Pacific	8.0	2.2%	0.2
North America	75.7	2.7%	2.1
Western Europe	16.1	6.4%	1.0
MSCI World Index (GBP)	100.0	3.2%	3.2

Regional performance of equities in Q4 2025 (GBP terms, MSCI classifications and based on the MSCI World Index)

Fixed Income and Currencies

On the monetary policy front, nine of the G-10 Central Banks reduced their respective policy rates in 2025 (the exception being Japan – who raised rates twice to levels last seen in 1995). Fiscally speaking, taxation policies varied greatly from one nation to the next, however, the themes of trade, tariffs, government deficits and debt burdens were ubiquitous. Globally, total government debt surpassed \$100 trillion mark for the first time.

Gold’s rally despite higher U.S. real rates reflects a structural break from its traditional rate sensitivity, driven instead by fiscal and geopolitical stress. Mounting concerns over unsustainable government debt, heavy central bank buying, and investor rotation away from sovereign bonds have strengthened demand for safe haven assets. Combined with policy uncertainty, a softer dollar outlook, and expectations of future easing, have pushed gold to new records and persistently elevated levels. This divergence can be seen in the chart below.



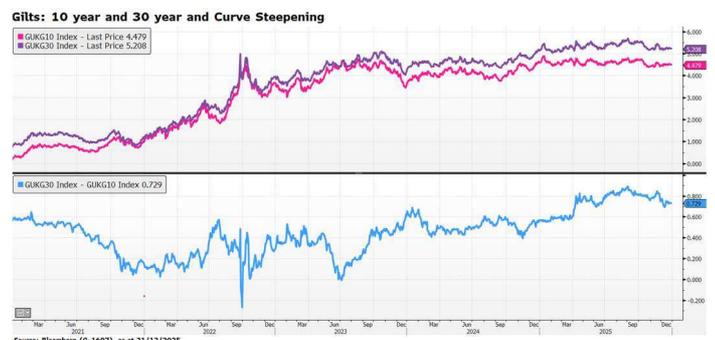
Source: Bloomberg, 31 December 2025

In the U.S., President Trump maintained his forceful approach to trade policy. Earlier tariff measures began to settle into a more stable, though still restrictive, framework as the White House adjusted tariff schedules and technology related restrictions. Meanwhile, U.S.–China trade negotiations made modest progress, with Q4 2025 seeing tentative steps toward lowering some bilateral

tariffs. Despite this, uncertainty around the trajectory of U.S. trade policy remained high.

The President continued to pressure the Fed even as it cut rates twice in Q4, lowering the funds rate to around 3.50–3.75% by year end. The Bank of England also eased, trimming the Bank Rate by 25 bps in a narrow vote and striking a cautiously dovish tone, while the ECB kept policy unchanged and somewhat restrictive. Gilt yields drifted lower in line with other developed markets. Longer maturity bonds underperformed reflecting ongoing concerns over debt sustainability and inflation dynamics.

UK Gilts: 10 year nominal and breakeven rates and real yields



Source: Bloomberg, 31 December 2025

U.S. inflation was steady overall but uneven in composition in Q4 2025, with headline CPI easing to 2.7% in November and December after a brief rise in September. Monthly gains remained modest, and core CPI held around 2.6–2.7%, indicating that while inflation stayed above target, the broader disinflation trend persisted into year end. In the U.K., CPI inflation eased to 3.2% during the same period, supported by lower energy base effects, but remained well above the Bank of England’s 2% target.

Labour market softening has become a growing concern for the wider economic outlook. In the U.S., unemployment briefly rose to 4.5% and job openings fell to their lowest level since late 2024, signalling weakening demand for workers. The U.K. showed similar signs of cooling, with unemployment edging higher, vacancies declining, and surveys pointing to more cautious hiring; wage growth eased but remained above pre pandemic norms. The market continues to monitor the development of AI technologies for its potential impact on labour dynamics in the future.

Overall, 2025 closed with a global economy still expanding—albeit unevenly and with evidence of cooling in places—and with markets shaped by an international environment defined by strategic competition, technological advancement, protectionism and evolving alliances.

Investment Manager Monitoring

Equities

The standout performer over the period was the LCIV Global Equity Value fund. This fund demonstrates the benefits of diversification across our ACS range. Value as a sector has struggled in recent years but the return of 7.30% in Q4 vs 3.38% for the benchmark represents excellent outperformance driven largely by strong stock selection by the underlying manager. The manager's opportunistic approach to value investing worked very well in the current environment and enabled them to end the year beating the benchmark by 2%.

As for the LCIV Global Alpha Growth Paris-Aligned Fund, having ended Q3 level with the benchmark, performance fell back in Q4 to end the year up nearly 10% on an absolute level but behind their bench by nearly 5%. This was particularly disappointing given the wider performance of growth sector. This relative underperformance was primarily driven by style effects, as highly valued stocks lagged lower-valuation peers.

Fixed Income

The LCIV MAC Fund performed in line with expectations in Q4. The investment grade exposures that currently take slightly more market beta than their benchmarks outperformed as a result in this "risk on" environment, while the high yield and non-Corporate bond elements of our portfolios took some risk off the table as spreads moved to historic tights resulting in marginal underperformance vs the benchmarks. Annualised performance of 7.63%, 9.02% & 7.56% respectably represents good performance in the current market conditions.

Multi Asset

The Absolute Return fund was up 10.76%, outperforming its benchmark by over 3% for the year. These returns were primarily driven by a much more contrarian approach and saw gains driven by commodity exposures, gold & gold miners, UK and Japanese equities.

Fund Development and Investment Manager Monitoring

In line with the changes planned for Fit For Future implementation on 1st April 2026, London CIV is undergoing a "rationalisation" of its ACS fund range. The transition of the LCIV Emerging Markets fund to a multi manager offering was successfully implemented in Q4 2025. London CIV is currently working on the launch of a new multi manager, LCIV Global Core Equity fund with a target go-live date for Q2 2026. This fund is intended to serve as a "one stop shop" equity offering for London CIV partner funds.

Planned modifications are currently underway to enhance our Global Growth offerings and scoping out a new UK Equity product. Further changes which include the closure of the Equity Quality fund while the Diversified Growth fund are also under review as performance issues, changes to the proposition at the investment manager and its role in the Fit For Future environment come under scrutiny.

Outlook

Market commentators are broadly positive on Global growth prospects for 2026. There is a consensus expectation for further growth driven by the continued build out of AI infrastructure. This is expected to be supported by positive fiscal measures in the US, Europe & Japan and combined with accommodative monetary policy, at least in Q1 & Q2 of 2026, in the US. With the caveat surrounding ramifications of the politicisation of the election of the next Fed Chair. Despite most equity markets starting 2026 at record levels sentiment remains bullish and markets have moved upwards in January as the risk on trade remains. This is further supported by corporate balance sheets remaining largely robust and an array of positive earnings reports to start the year.

Manager Performance

Asset Class / Fund Name	Weight	3 Months (%)		1 Year (%)		3 Years p.a. (%)		Since Inception p.a. (%)		
		Fund	Benchmark	Fund	Benchmark	Fund	Benchmark	Fund	Benchmark	Inception Date
Global Equities	58.4									
LGIM - Future World Fund	24.3	3.6	3.5	15.0	14.8	17.3	17.0	12.0	11.8	23 Sep 2020
LGIM - Global Equities	24.2	3.6	3.6	17.4	17.6	18.1	18.4	10.6	10.8	31 Oct 2016
LCIV Global Equity Value Fund	5.3	7.2	3.8	15.8	15.6	0.0	0.0	14.4	16.3	28 Oct 2024
LCIV Global Alpha Growth Paris Aligned Fund	4.6	(1.9)	3.8	9.1	15.8	12.1	19.7	2.5	14.6	22 Apr 2021
Property	12.4									
LCIV/CBRE Indirect Real Estate	11.8	0.2	0.4	0.0	0.0	0.0	0.0	0.8	0.6	25 Apr 2025
AEW UK	0.6	0.0	0.8	6.3	5.1	3.9	3.0	5.7	5.1	30 Jun 2014
Multi-Asset Credit	9.2									
LCIV MAC Fund	9.2	2.0	2.0	8.9	8.6	9.2	9.2	7.6	8.8	26 May 2022
Index Linked Gilts	6.4									
LGIM - UK ILG	6.4	3.3	3.3	1.3	1.3	(2.1)	(2.1)	(2.2)	(2.1)	22 Feb 2017
Infrastructure	4.8									
LCIV Infrastructure Fund	4.3	2.4	1.7	6.8	7.1	7.9	7.7	5.9	5.7	14 Nov 2019
Macquarie	0.5	0.7	1.7	0.5	7.1	12.6	7.7	9.3	4.5	30 Sep 2010
Private Debt	4.5									
LCIV Private Debt Fund	4.0	3.1	1.5	12.2	6.0	7.6	6.0	7.7	6.0	16 Nov 2021
Permira	0.5	2.9	1.9	2.2	8.1	7.4	8.7	7.3	5.8	30 Nov 2014
M&G Investments	0.0	3.6	1.9	14.0	8.1	(13.4)	8.7	1.8	5.5	31 May 2010
Diversified Growth	2.4									
LCIV Absolute Return Fund	2.4	2.1	1.0	10.9	4.4	1.1	4.8	5.0	1.6	28 May 2010
Opportunistic Dislocation	1.8									
Blackstone Dislocation Fund	1.8	6.2	3.5	7.8	15.0	0.0	0.0	7.3	15.0	27 Mar 2024
Private Equity	0.2									
Adam Street	0.1	(0.3)	4.3	(7.1)	18.4	(10.5)	20.8	5.3	0.0	31 Jan 2005
LGT	0.1	0.1	4.3	5.5	18.4	2.0	20.8	9.9	0.0	31 May 2004

Source: Northern Trust custody data as of 31 December 2025
Returns are gross of fees and annualised for periods greater than 1 year.

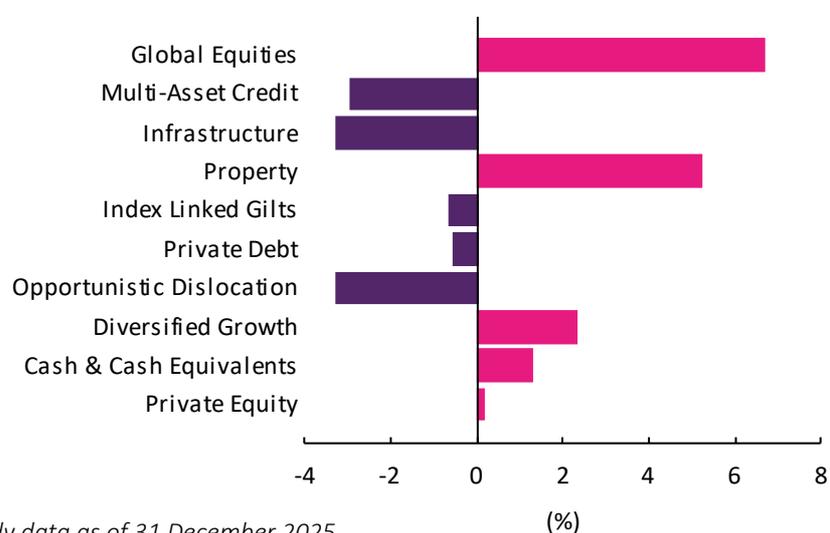
Asset Allocation

Asset Class	Strategic Asset Allocation (%) 31 December 2023	Actual Asset Allocation (%) 30 September 2025	Actual Asset Allocation (%) 31 December 2025	Change in Asset Allocation (%) Quarter on Quarter	Actual Asset Allocation (%) 31 December 2025 vs Strategic Asset Allocation (%)
Global Equities	51	57	58	0	+7
Multi-Asset Credit	12	9	9	(0)	-3
Infrastructure	8	5	5	0	-3
Property	7	13	12	(0)	+5
Index Linked Gilts	7	6	6	0	-1
Private Debt	5	5	4	(0)	-1
Opportunistic Dislocation	5	2	2	(0)	-3
Diversified Growth	0	2	2	(0)	+2
Cash & Cash Equivalents	0	1	1	0	+1
Private Equity	0	0	0	(0)	+0

Source: Northern Trust custody data as of 31 December 2025

Actual Asset Allocation

vs Target Allocation by Asset Class As of 31 December 2025



Source: Northern Trust custody data as of 31 December 2025

Asset Allocation Changes - Q4 2025

Asset Class	Market Value 30 September 2025 (£'m)	Net contribution* (£'m)	Income (£'m)	Appreciation (£'m)	Market Value 31 December 2025 (£'m)
Global Equities	881	-	-	30	911
Property	193	-	1	-	193
Multi-Asset Credit	140	-	-	3	143
Index Linked Gilts	97	-	-	3	100
Infrastructure	71	2	1	1	75
Private Debt	71	(2)	2	-	71
Diversified Growth	36	-	-	1	37
Opportunistic Dislocation	32	(6)	3	(1)	28
Cash & Cash Equivalents	16	4	-	-	20
Private Equity	3	-	-	-	3
Total	1,540	(3)	6	38	1,580

Source: Northern Trust

* Net contributions include cash contributions/distributions, securites/receipts, fee/fee rebates, inter account transfers for consolidations and benefit payments. Copied history of backloaded data may not display the correct contributions/withdrawals creating misrepresentation.

Assessment Framework

As of 31 December 2025

ACS Sub-Fund	LCIV Global Alpha Growth Paris Aligned Fund	LCIV Global Equity Value Fund	LCIV Absolute Return Fund
Investment Manager	Baillie Gifford	Wellington	Ruffer
Skills tests			
Resourcing	Green	Green	Light Green
Investment process	Orange	Green	Light Green
Responsible investment and engagement	Green	Green	Light Green
Risk Management	Light Green	Green	Orange
Enabling tests			
Business Management	Green	Green	Orange
Strategy Execution	Green	Green	Green
Skills proposition: overall rating	2	1	2
Value proposition: rating	3	N/A	3

Private Markets Fund	LCIV Infrastructure Fund	LCIV Private Debt Fund	LCIV Private Debt Fund
Investment Manager	Stepstone	Churchill	Pemberton
Skills tests			
Resourcing	Green	Green	Orange
Strategy and investment process	Light Green	Green	Green
RI and engagement	Light Green	Orange	Light Green
Risk management	Light Green	Green	Green
Deployment	Light Green	Green	Green
Business Management	Green	Green	Green
Skills proposition: overall rating	Light Green	Grey	Grey
Value proposition: rating	Light Green	Green	Green

Source: London CIV.

Value Proposition: Rating of Sub-Funds		Skills Proposition: Overall Rating of investment managers
Rating	Key / Definition	Key / Definition
1	Achieving objectives. Formal annual reviews of Skills factors and regular monitoring cadence and intensity.	Best in class capabilities, robust investment, RI and risk management processes. Expected to achieve objectives. Add to Prospects list, prioritise for selection for LCIV funds.
2	Not achieving objective, underperforming benchmark or reference index; Areas of potential improvement flagged and monitored through regular updates and formal annual reviews of Skills factors.	Strong capabilities and processes, room for improvement in certain criteria which are flagged and monitored. Expected to achieve objectives. Eligible for Prospects lists and LCIV funds.
3	Not achieving objective, underperforming benchmark or reference index, trend in rolling 3 and 5-year relative performance * is improving; in-depth review of Skills factors triggered and repeated every 6 months (at least). Monitoring intensified. Action points and milestones agreed. EIC reviews progress every quarter.	Skill assessment identifies shortcomings which could hinder achievement of objectives. Position at risk. Not eligible for Prospects lists, selection for LCIV funds or allocations of additional capital. Monitoring intensified. Action points and milestones agreed with investment manager and communicated to investors. EIC reviews progress every quarter.
4	Not achieving objective, underperforming benchmark or reference index, trend in rolling 3 and 5-year relative performance * is static or negative; Skills factors reassessed and challenged by EIC. Actions and milestones agreed and communicated to investors.	Serious concerns about capabilities and/or execution of key processes. Not expected to achieve objectives. Initiate manager termination process.

* Since inception data used if performance record does not extend to 3 or 5 years.

Disclaimer

Important information

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About London CIV

London LGPS CIV Limited ('London CIV'), established in 2015 by London Local Authorities manages London Local Government Pension Scheme ('LGPS') assets. London CIV is one of eight U.K. LGPS asset pooling companies. The London Boroughs and City of London who are the 32 Shareholders, are also our clients ('Partner Funds').



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Appendix

Asset Allocation

Asset Class / Fund Name	Market Value (30 September 2025) £m	Net Contributions £m	Income £m	Fees £m	Appreciation £m	Market Value (31 December 2025) £m	Weights (%) (30 September 2025)	Weights (%) (31 December 2025)	Change in weights (%)	Strategic Asset Allocation (%) 31 Dec 2023	Asset Allocation vs Strategic Asset Allocation (%) 31 Dec 2023
Real Estate Long Income	-	-	-	-	-	-	-	-	-	-	-
LGIM - LPI Income Property	-	-	-	-	-	-	-	-	-	-	-
Global Equities	881	-	-	-	30	911	57	58	0.44	51	7
LCIV Global Alpha Growth Paris Aligned Fund	73	-	-	-	(1)	72	5	5	-0.21		
LCIV Global Equity Value Fund	76	-	-	-	6	82	5	5	0.22		
LGIM - Future World Fund	366	-	-	-	13	379	24	24	0.21		
LGIM - Global Equities	365	-	-	-	13	378	24	24	0.22		
Index Linked Gilts	97	-	-	-	3	100	6	6	0.04	7	-
LGIM - UK ILG	97	-	-	-	3	100	6	6	0.04		
Multi-Asset Credit	140	-	-	-	3	143	9	9	-0.06	12	(3)
LCIV MAC Fund	140	-	-	-	3	143	9	9	-0.06		
Property	193	-	1	-	-	193	13	12	-0.29	7	5
AEW UK	9	-	-	-	-	9	-	-	-0.02		
LCIV/CBRE Indirect Real Estate	183	-	1	-	-	184	12	12	-0.27		
UBS Property	0	-	-	-	-	-	-	-	0.00		
Diversified Growth	36	-	-	-	1	37	2	2	-0.01	-	2
LCIV Absolute Return Fund	36	-	-	-	1	37	2	2	-0.01		
Private Equity	3	-	-	-	-	3	-	-	-0.03	-	-
Adam Street	2	-	-	-	-	1	-	-	-0.02		
LGT	1	-	-	-	-	1	-	-	-0.01		
Infrastructure	71	2	1	-	1	75	5	5	0.11	8	(3)
LCIV Infrastructure Fund	63	3	1	-	1	67	4	4	0.15		
Macquarie	8	-	-	-	-	8	-	-	-0.04		
Private Debt	71	(2)	2	-	-	71	5	4	-0.13	5	-
LCIV Private Debt Fund	61	-	2	-	-	63	4	4	-0.01		
M&G Investments	0	-	-	-	-	-	-	-	0.00		
Permira	9	(2)	-	-	-	8	-	-	-0.12		
Cash & Cash Equivalents	16	4	-	-	-	20	1	1	0.24	-	1
Non-custody	16	4	-	-	-	20	1	1	0.24		
Opportunistic Dislocation	32	(6)	3	-	(1)	28	2	2	-0.32	5	(3)
Blackstone Dislocation Fund	32	(6)	3	-	(1)	28	2	2	-0.32		
Total	1,540	(3)	6	-	38	1,580	100	100			

Source: Northern Trust custody data as of 31 December 2025

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London Borough of Hillingdon Pension Fund

Funding update report at 31 December 2025

This report is addressed to the Administering Authority of the London Borough of Hillingdon Pension Fund (the Fund). This document should be read in conjunction with the fund's Funding Strategy Statement.

The purpose of this report is to provide the funding position of the London Borough of Hillingdon Pension Fund as at 31 December 2025 and show how it has changed since the previous valuation at 31 March 2025. This report has not been prepared for use for any other purpose and should not be so used. The report should not be disclosed to any third party except as required by law or regulatory obligation or with our prior written consent. Hymans Robertson LLP accept no liability where the report is used by or disclosed to a third party unless such liability has been expressly accepted in writing. Where permitted, the report may only be released or otherwise disclosed in a complete form which fully discloses the advice and the basis on which it is given.

The figures presented in this report are prepared only for the purposes of providing an illustrative funding position and have no validity in other circumstances.

This report also contains the data and assumptions underlying the results and the reliances and limitations which apply to them.



Results

Funding position update

The table on this page shows the estimated funding position at 31 December 2025 on the Fund's Ongoing basis (as defined in the Fund's FSS). The table also shows what future investment return would be required for the Fund to be 100% funded, along with the likelihood of the investment strategy achieving this return. The equivalent results at 31 March 2025 on the Ongoing basis are shown for comparison. An increase in the likelihood corresponds to an improvement in the funding position (and vice versa).

Please note that the asset value at 31 December 2025 shown in this report may differ to the actual asset value at that date. The asset value in this report is an estimate based on a rollforward from 31 March 2025 using estimated cashflows (see section A2) and estimated investment returns (see section A3). This approach ensures the asset value is consistent with the liabilities and gives a more reliable estimate of the funding position than if the actual asset value was used.

Monetary amounts in £bn	Ongoing basis	
	31 March 2025	31 December 2025
Assets	1.41	1.60
Active members	0.28	0.33
Deferred pensioners	0.28	0.30
Liabilities		
Pensioners	0.64	0.64
Total liabilities	1.20	1.27
Surplus/(deficit)	0.21	0.34
Funding level	118%	127%
Required return (% pa)*	5.2%	4.7%
Likelihood of achieving this return	86%	89%

* Future investment return for funding level to be 100%

Understanding the funding level

To help better understand the funding level, the chart below shows how the funding level varies with the assumed rate of future investment returns at 31 March 2025 and 31 December 2025. The percentages next to each point on the lines show the likelihood of the investment strategy achieving that return at the respective date (for further details see section A4). The solid-coloured point indicates the funding level on the Fund's chosen assumptions.



Funding level progression

The chart below shows how the funding level has progressed between 31 March 2025 and 31 December 2025. It allows for changes in market conditions and other factors described in Appendix B.



Next steps

Change in funding level since the last valuation is to be expected due to the volatile nature of both the Fund's assets and liabilities. However, understanding the factors underlying the change may help inform the Fund's ongoing monitoring of its funding strategy and risk management.

The results at 31 December 2025 in this report are estimates based on rolling forward the fund's funding position from 31 March 2025. You should understand the methodology and limitations of this approach described in Appendices B and C, and that factors such as changes to the investment strategy and membership profile may not be fully reflected in the results. No decisions should be made solely on the results in this report.

Please get in touch with your Hymans Robertson contact if you wish to discuss the results in this report further.

Appendix A - Data and assumptions

A.1 Membership data

The membership data underlying the figures in this report was supplied by the fund for the purpose of the valuation at 31 March 2025 and is summarised below:

31 March 2025	Number	Avg. age	Accrued benefit (£k pa)	Payroll (£k pa)
Active members	8,454	55.9	29,976	198,053
Deferred pensioners	15,172	55.2	27,092	
Pensioners and dependants	8,641	70.8	54,260	

Average ages are weighted by liability.

The membership is assumed to evolve over time in line with the demographic assumptions described in the Fund's FSS. Please see Appendix B for details of the rollforward methodology which includes the estimated changes in membership data which have been allowed for.

A.2 Cashflows since the valuation at 31 March 2025

We have allowed for the following cashflows in estimating the assets and liabilities at 31 December 2025.

Estimated cashflows (£k)	31 March 2025 to 31 December 2025
Employer contributions	41,723
Employee contributions	10,079
Benefits paid	44,076

Cashflows are assumed to be paid daily. Contributions are based on the estimated payroll, certified employer contributions (including any lump sum contributions) and the average employee contribution rate at 31 March 2025. Benefits paid are projections based on the membership at 31 March 2025.

A.3 Investment returns since the valuation at 31 March 2025

Investment strategy	Actual/ index	From	To	Return
Whole fund	Actual	1 April 2025	31 December 2025	13.27%

The total investment return for the whole period is 13.27%.

A.4 Financial assumptions

Assumption	31 March 2025	31 December 2025
Funding basis	Ongoing	Ongoing
Discount rate (% pa)	6.3%	6.2%
Pension increases (% pa)	2.3%	2.3%

Salary increases are assumed to be 0.5% pa above pension increases, plus an additional promotional salary scale.

For further details on the methodology used to derive the assumptions, please see the Fund's FSS.

A.5 Demographic assumptions

Life expectancy (years)	Ongoing basis	
	Male	Female
Pensioners	22.2	24.8
Non-pensioners	22.8	25.8

Life expectancies are from age 65 and are based on the Fund's membership data at 31 March 2025. Non-pensioners are assumed to be aged 45 at that date. All other demographic assumptions are the same as at the most recent valuation at 31 March 2025.

Appendix B - Technical information

B.1 Funding update methodology

The last formal valuation of the fund was carried out as at 31 March 2025. The results in this report are based on rolling forward the results of the last formal valuation to 31 December 2025 using approximate methods. The roll-forward allows for:

- estimated cashflows over the period as described in section A.2
- investment returns over the period (estimated where necessary) as described in section A.3
- changes in financial assumptions as described in section A.4
- estimated additional benefit accrual.

The CARE, deferred and pensioner liabilities at 31 December 2025 include a total adjustment of 1.5% to reflect the difference between actual September CPI inflation values (up to 30 September 2025) and the assumption made at 31 March 2025. The adjustment for each year's actual inflation is applied from 31 October 2025 that year, cumulative with prior years' adjustments, which may lead to step changes in the funding level progression chart.

In preparing the updated funding position at 31 December 2025, the membership is assumed to have changed since 31 March 2025 in line with the demographic assumptions described in the Fund's FSS. No allowance has been made for any other changes. The principal reason for this is that insufficient information is available to make any such adjustment. Significant membership movements, or any material difference between estimated inputs and actual experience, may affect the reliability of the results. The Fund should consider whether any such factors mean that the roll forward approach may not be appropriate.

No allowance has been made for any early retirements or bulk transfers since 31 March 2025. There is also no allowance for any changes to Local Government Pension Scheme (LGPS) benefits except where noted in the formal valuation report or Funding Strategy Statement.

Where the Fund has moved to a different funding basis since 31 March 2025 this may give rise to step changes in the funding level on the date of the change.

B.2 Sensitivity of results to assumptions

The results are particularly sensitive to the real discount rate assumption (the discount rate net of pension increases) and the assumptions made for future longevity.

If the real discount rate used to value the accrued liabilities was lower then the value placed on those liabilities would increase. For example, if the real discount rate at 31 December 2025 was 1.0% pa lower then the liabilities on the Ongoing basis at that date would increase by 17.0%.

In addition, the results are sensitive to unexpected changes in the rate of future longevity improvements. If life expectancies improve at a faster rate than allowed for in the assumptions then, again, a higher value would be placed on the liabilities. An increase in life expectancy of 1 year would increase the accrued liabilities by around 3-5%.

Appendix C - Reliances and limitations

The report should not be disclosed to any third party except as required by law or regulatory obligation or with our prior written consent. Hymans Robertson LLP accept no liability where the report is used by or disclosed to a third party unless such liability has been expressly accepted in writing. Where permitted, the report may only be released or otherwise disclosed in a complete form which fully discloses the advice and the basis on which it is given.

The last formal valuation of the fund was carried out as at 31 March 2025 and this report relies upon the results of that valuation. The reliances and limitations that applied to that valuation apply equally to these results. The results of the valuation have been projected forward using approximate methods. The margin of error in these approximate methods increases as time goes by. The method may not be appropriate if there have been significant data changes since the previous formal valuation (for example redundancy exercises, significant unreduced early retirements, ill health retirements and bulk transfers). The methodology assumes that actual experience since the valuation at 31 March 2025 has been in line with assumptions.

The data used in this exercise is summarised in Appendix A. Data provided for the purposes of the formal valuation at 31 March 2025 was checked at the time for reasonableness and consistency with other sources. Data provided since then (eg actual investment returns) has been used as-is.

The data is the responsibility of the Administering Authority and the results rely on the data.

The results in this schedule are based on calculations run on 12 February 2026 using the data set out in Appendix A. Any other factors coming to light after this report was prepared have not been allowed for and could affect the results. If any data has materially changed since 12 February 2026 the results could be materially different if they were recalculated.

Some financial assumptions may be based on projections from our Economic Scenario Service (ESS) model which is only calibrated at each month-end. Results between month ends use the latest available calibration, adjusted in line with the movement in market conditions. This adjustment is approximate and there may be step changes at month-end dates when a new ESS monthly calibration is factored in.

The methodology underlying these calculations mean that the results should be treated as indicative only. The nature of the fund's investments means that the surplus or deficit identified in this report can vary significantly over short periods of time. This means that the results set out should not be taken as being applicable at any date other than the date shown.

During periods of high market volatility, actual asset returns may differ more significantly from the market index returns we use to estimate them from day to day. This means that estimated asset values will be less reliable in such periods, particularly at dates not coinciding with periods of known returns. If you want to make a decision based on your current funding position, we strongly recommend you get an up to date valuation from your asset manager and speak to your Hymans Robertson LLP consultant.

As with all modelling, the results are dependent on the model itself, the calibration of the underlying model and the various approximations and estimations used. These processes involve an element of subjectivity and may be material depending on the context. No inferences should be drawn from these results other than those confirmed separately in writing by a consultant of Hymans Robertson LLP.

Decisions should not be based solely on these results and your Hymans Robertson LLP consultant should be contacted to discuss any appropriate action before any is taken. Hymans Robertson LLP accepts no liability if any decisions are based solely on these results or if any action is taken based solely on such results.

Data used directly or indirectly in the preparation of these results may have been sourced from third parties, including Bloomberg and iBoxx (IHS Markit).

This report complies with the relevant Technical Actuarial Standards.

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RESPONSIBLE INVESTMENTS UPDATE

ITEM 10

Committee

Pensions Committee

Officer Reporting

Babatunde Adekoya, Finance

Papers with this report

Full manager voting - Shared drive.
 LGIM Engagement Report Q4 2025 – Shared drive
 LAPFF Engagement Report Q4 2025 – Shared drive

HEADLINES

Environmental, Social, and Governance (ESG) refers to the three central factors in measuring the sustainability and societal impact of an investment in a company or business. These criteria help to better determine the future financial performance of companies (return and risk).

The purpose of this report is to provide information on how managers entrusted with investing the Pension Fund assets are implementing their ESG policies and demonstrate their commitment to ensuring it is a cogent part of their investment process.

In addition, the report details the progress on the UK Stewardship Code project, policy updates and other relevant information.

RECOMMENDATIONS

It is recommended that Pensions Committee:

1. Note the fund managers' ESG activities and compliance efforts
2. Note LCIV & LAPFF activities

SUPPORTING INFORMATION

Voting and Engagement

Fund managers carry out proxy voting on the Pension Fund's behalf. Below is a breakdown of voting statistics by LGIM, and London CIV (Ruffer, Wellington and Baillie Gifford).

Fund Managers Voting Breakdown Q4, 2025						
LCIV		Meetings	Resolutions	Votes With	Against	Abstention/non-voting
	Dec-25					
LCIV - Ruffer		15	140	120	13	7
LCIV - Baillie Gifford		9	110	92	7	11
LCIV - Wellington		9	82	69	13	0
		33	332	281	33	18
	%			84.64	9.94	5.42
LGIM		Meetings	Resolutions	Votes With	Against	Abstention
	Dec-25					
		2,566	16,771	11,212	5,100	459
		2,566	16,771	11,212	5,100	459
	%			66.85	30.41	2.74

The volume of meetings attended, and resolutions voted on by all the fund managers shown above, encapsulates their commitment to ESG issues and demonstrates alignment of their stewardship activities with their own investment beliefs, policies, and guidelines. Through this approach, they seek to be active owners on behalf of their clients, by encouraging good governance and a high standard of corporate practices.

The voting breakdown above indicates LGIM have voted against proposed management resolutions on 30% of voting opportunities and supported resolutions on approximately 67% of occasions. The London CIV, through three equities portfolio managers, Wellington and Baillie Gifford, absolute return manager, Ruffer combined to back various management resolutions on 87% of voting opportunities and about 10% against the resolutions proposed by company managements. Abstentions for LGIM and LCIV were 3% and 5% respectively.

The snapshots below further contextualise the voting patterns and issues addressed with voting decisions by the managers above.

Global - Q4 2025 voting summary

Shareholder-proposed resolutions:						
Proponent/Category	For	Against	Abstain	For %	Against %	Abstain %
Shareholder	401	146	6	73%	26%	1%
Director Election	299	58	6	82%	16%	2%
Company Articles	15	20	0	43%	57%	0%
Environmental	10	3	0	77%	23%	0%
Social	2	6	0	25%	75%	0%
Audit Related	2	0	0	100%	0%	0%
Corporate Governance	13	3	0	81%	19%	0%
Non-Routine Business	10	6	0	62%	38%	0%
Director Related	17	26	0	40%	60%	0%
Miscellaneous	26	12	0	68%	32%	0%
E&S Blended	2	1	0	67%	33%	0%
Compensation	1	10	0	9%	91%	0%
Capitalisation	4	1	0	80%	20%	0%

How L&G voted	Number of votes	% Aligned management recommendations
For	11212	99.6%
Against	5100	5.1%
Abstain	459	98%

Number of	Values
Resolutions	16828
AGM Resolutions	6753
EGM Resolutions	10075
AGM	698
EGM	1868
Meetings	2566

Most popular resolutions	Number of resolutions
Elect Director	3326
Elect Director (Cumulative Voting or More Nominees Than Board Seats)	1580
Amend Articles/Bylaws/Charter -- Organization-Related	1370
Approve/Amend Regulations on Board of Directors	834
Ratify Auditors	568

Number of companies where L&G voted:	Value
In Total	2110
For in all resolutions	724
Against or Abstain in at least one resolution	1380

Voting data shown is "For" and "Against" the resolution. Please note that for shareholder resolutions, a vote "For" the resolution is a vote against management. We aim to keep abstentions to a minimum. Where there are no legal or practical impediments, we vote on our clients' investments across all developed and emerging markets globally, where possible.

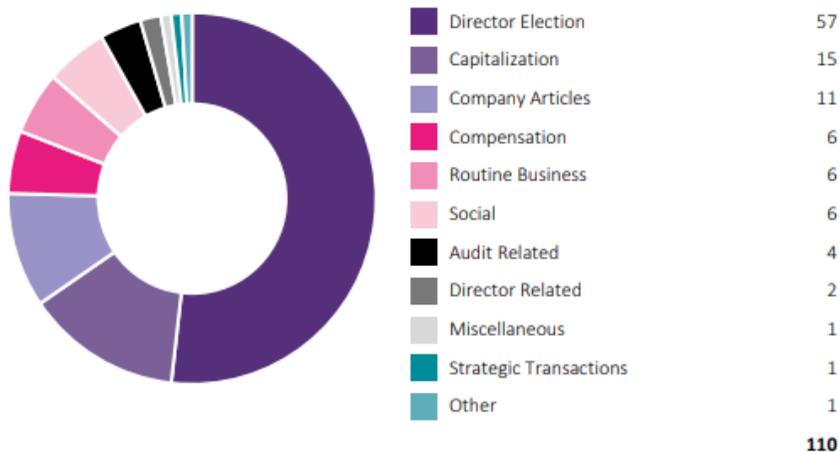
Source: L&G, as at 31 December 2025.

Classification: Public
Pensions Committee 24 March 2026

Voting Summary

As stewards of capital, exercising voting rights is an important part of our responsibility towards our Client Funds' ESG objectives. We believe that voting on shareholder resolutions is a powerful part of our stewardship strategy as it helps communicate our views to companies. Being transparent about disclosing our voting records further supports this aim. London CIV's stewardship provider EOS at Federated Hermes (EOS) and investment managers are expected to vote on all proxies considering the impact of ESG factors to ensure shareholder value is maximised. London CIV monitors voting records on a quarterly basis and expects EOS and investment managers to be able to provide a rationale for all voting activity on a "comply or explain" basis. The following charts give an overview of voting activity for this quarter (1 October 2025 - 31 December 2025).

Proposals Breakdown



Source: London CIV data as at 31 December 2025

Voting Instruction Breakdown

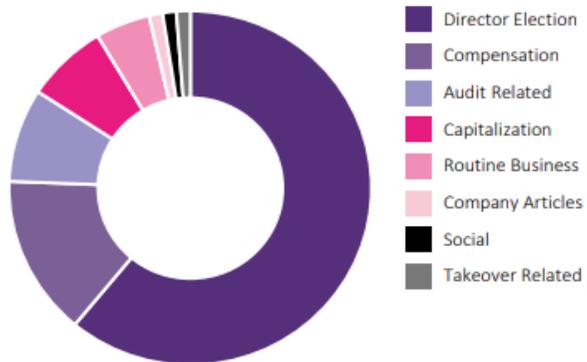


Source: London CIV data as at 31 December 2025

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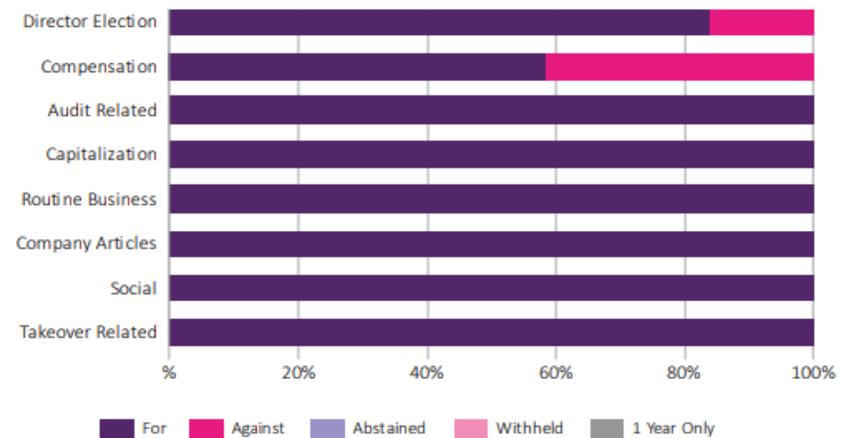
Proposals Breakdown



Source: London CIV data as at 31 December 2025

No.

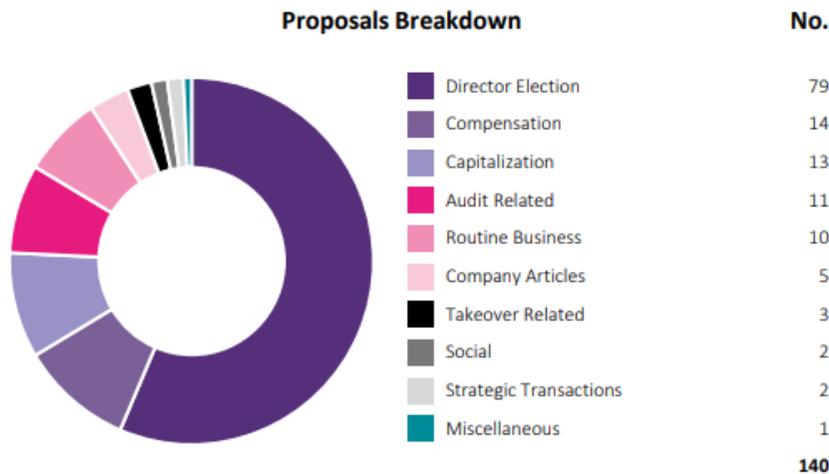
Voting Instruction Breakdown



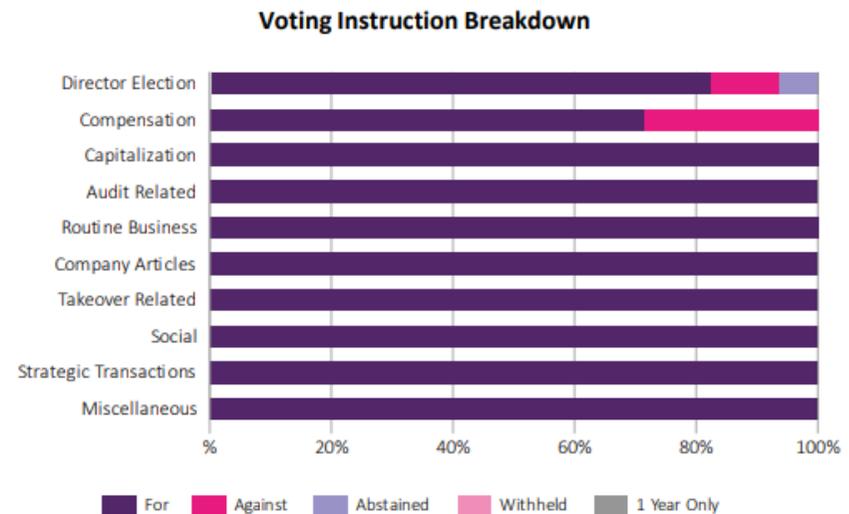
Source: London CIV data as at 31 December 2025

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Source: London CIV data as at 31 December 2025



Source: London CIV data as at 31 December 2025

Engagement

ESG factors play an increasingly important role in determining the performance of certain assets. Pension Fund asset managers, as part of their ESG commitments undertake various engagement activities in their holistic approach in making investment decisions. These activities aim to affect changes within invested companies where it is deemed necessary or to complement existing practices.

LGIM

Holding boards to account

To be successful, companies need to have people at the helm who are well equipped to create resilient long-term growth. By voting and engaging directly with companies, LGIM encourages management to control risks while seeking to benefit from emerging opportunities. The manager aims to safeguard and enhance clients' assets by engaging with companies and holding management to account for their decisions. Voting is an important tool in this process, and one which they use extensively.

Creating sustainable value

LGIM believe it is in the interest of all stakeholders for companies to build sustainable business models that are also beneficial to society. They work to ensure companies are well-positioned for sustainable growth, and to prevent market behaviour that destroys long-term value. Their investment process includes an assessment of how well companies incorporate relevant ESG factors into their everyday thinking. The manager engages directly and collaboratively with companies to highlight key challenges and opportunities, and support strategies that seek to deliver long-term success.

Promoting market resilience

As a long-term investor for its clients, it is essential that markets (and, by extension, the companies within them) can generate sustainable value. In doing so, LGIM believe companies should become more resilient amid change and therefore, seek to benefit the whole market. They use their influence and scale to ensure that issues affecting the value of clients' investments are recognised and appropriately managed. This includes working with key policymakers, such as governments and regulators, and collaborating with asset owners to bring about positive change across markets.

Global Investment Stewardship themes

LGIM Investment Stewardship activity is structured around six core themes:

- Climate: Keeping 1.5°C alive
- Nature: Supporting a world that lives in harmony with nature, recognising the economic value of natural capital
- People: Improving human capital across the corporate value chain

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- Health: Safeguarding global health to limit negative consequences for the global economy
- Governance: Strengthening accountability to deliver stakeholder value
- Digitisation: Establishing minimum standards for how companies manage digitisation-related risks

The manager believes these themes are financially material to their clients' portfolios, often pose systemic risks and opportunities, and cover areas where LGIM as an asset manager can influence change.

Net Zero Asset Managers Initiative

LGIM has committed to remain signatory to the Net Zero Asset Managers Initiative, reflecting their long-standing belief that climate risk is investment risk. The manager is focused on supporting clients through robust climate-risk mitigation, active stewardship, and investment in economically viable transition opportunities.

The Net Zero Asset Managers (NZAM) Initiative is a global, voluntary coalition enabling asset managers to commit to and transparently report on strategies that support net-zero emissions. After facing political and regulatory challenges, it relaunched in 2026 with an updated, more flexible framework that continues to align with the goals of the Paris Agreement while accommodating global diversity in regulation and practice. The initiative has over 250 managers as signatories.

NZAM was suspended in January 2025 due to political and regulatory pressures particularly rising anti-ESG sentiment in the U.S. and after major departures such as BlackRock.

Engagement Focus

LAPFF

During the quarter LAPFF engaged various companies worldwide on issues covering all aspects of ESG during the quarter under review.

Below are three examples of their engagement activities in Q4 2025.

Environment

Climate change represents a systemic and financially material risk for long-term investors. LAPFF believes that companies with credible, measurable, and transparent climate transition plans are better equipped to manage these risks. Although more companies now publish transition plans, many still lack science-based targets, delivery pathways, or transparent financial alignment. LAPFF considers regular shareholder oversight—via “Say on Climate” votes at least every three years—to be essential for accountability, especially for minority shareholders.

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FTSE 100 (Minus Investment Trusts)

Objective: LAPFF aims to ensure that companies are effectively planning for business decarbonisation and managing transition risks. The Forum engages issuers to develop, disclose, and implement robust climate transition strategies. LAPFF expects climate plans to contain science-based, quantifiable targets, credible delivery pathways, and transparent disclosure of climate-related financial impacts.

Achieved: LAPFF and CCLA coordinated a letter to FTSE 100 companies (excluding investment trusts), urging them to offer shareholders a vote on their climate transition plans at least once every three years. The initiative was backed by investors representing £3.1 trillion AUM.

- *71 out of 95 companies responded.*
- *Eight companies committed to holding a vote:*
- *Legal & General, Anglo American, Glencore, SSE, National Grid, United Utilities, Centrica, and Shell — with five committing to a triennial cycle.*
- *Six more companies stated they are keeping the option under review.*
- *LAPFF held engagement meetings with Schroders, Lloyds, SSE, Barclays, Shell, and Standard Chartered.*
- *Schroders: strong climate governance but opposed to a formal vote.*
- *Lloyds: integrates climate into overall strategy; reviews voting annually but has not adopted a standalone vote.*
- *Barclays: maintains net-zero targets and sector pathways; keeping vote option under review.*
- *Shell: reaffirmed a shareholder vote in 2027 following its 2026 strategy update.*
- *Standard Chartered: continues to deliver against its 2022 shareholder-approved roadmap.*
- *SSE: confirmed next vote at the 2028 AGM, with annual progress reporting and strong governance arrangements.*

In Progress

LAPFF views climate transition plan oversight as an evolving governance responsibility rather than a one-off activity. The Forum will monitor climate-related resolutions throughout 2026 and continue dialogue with issuers whose plans are voted on or significantly changed.

A particular concern is the trend of companies weakening, pausing, or withdrawing previously stated climate commitments without giving shareholders the opportunity to approve revised plans. LAPFF will expect clear justification, enhanced disclosure, and evidence of thorough board-level oversight whenever companies alter or step back from commitments.

Social

Vale

Objective

LAPFF continues to lead investor engagement with Vale under the PRI Advance Initiative, alongside EOS at Federated Hermes, PIMCO, Schroders, Erste Asset

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Management, and Pensioenfonds Detailhandel. The engagement aims to strengthen Vale's governance and management of human rights risks, with a particular focus on:

- Effectiveness of grievance mechanisms
- Delivery of remediation
- Credibility of employee and community feedback related to the Brumadinho and Mariana dam disasters

During the quarter, investors met with Vale to discuss results from the second Community Perception Survey (2024) and how these insights inform risk management and operational improvements. The engagement occurred against the backdrop of the 10-year anniversary of the Mariana disaster, reinforcing expectations for demonstrable, outcomes-based progress for affected communities.

Achieved

PRI Advance Q4 meeting focused on:

- Community and employee engagement
- Findings from Vale's 2024 Community Perception Survey (which expanded to include traditional communities)

Vale acknowledged key findings, including:

- Declines in perceived quality of life and general trust since 2022
- Improvements in perceived average income
- Ongoing analysis to translate survey insights into operational actions

Investors sought updates on Mariana and Brumadinho reparations, particularly around community satisfaction measurement. Vale reported that the Renova Foundation, created in 2016 under the TTAC to deliver remediation and compensation, is now being liquidated, with remaining programmes transitioning to Samarco Mineração and relevant public authorities. Investors also raised 2025 media reports (FT/Reuters) that BHP and Vale had offered \$1.4bn to settle UK litigation related to Mariana—though neither company has publicly commented.

In Progress

LAPFF will continue engagement into 2026, pressing Vale for:

- Clear, outcome-based evidence that 2024 survey insights are resulting in real, site-level changes
- Transparency on how priorities are set, what actions are taken, and how progress is measured and disclosed
- Improvements specifically in:
 1. Trust
 2. Quality of life
 3. Grievance mechanism effectiveness

Engagement will incorporate external perspectives, including findings from *Earthworks' April 2025 report, "The Truth About Vale"*, which stresses the need for reconciling company statements with community experiences and demonstrating **verified** outcomes.

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Governance

United Utilities

Objective: LAPFF continued its engagement with UK water utilities in Q4, with a focus on United Utilities (UU). The objective was to deepen understanding of:

- Plans and governance to reduce storm overflow and sewage discharges, given persistently high spill levels in 2024.
- Preparedness for regulatory change, including the Government’s decision to abolish Ofwat and move toward a single, more powerful regulator.
- Responses to emerging environmental risks, particularly PFAS and other “forever chemicals,” following research showing widespread contamination—TFA detected in 98% of UK river samples.
- Ensuring that increased investment, funded partly by higher customer bills, is matched by improvements in water quality, risk management, and accountability.

Achieved

Engagement with the Chair of United Utilities, Sir David Higgins, delivered meaningful insights into:

- Storm Overflow Reduction
- UU outlined its investment programme and progress:
- High-priority overflows reduced from ~40 to 26, targeting 18 by 2030 and 10 by 2050.

Monitoring & Public Reporting

United Utilities already uses per-second monitoring, ahead of peers who have historically reported at lower resolution. Move to a common two-minute sector standard will reshape comparability and public perceptions.

Resilience & Enabling Infrastructure

Around one-third of spills are linked to power failures. United Utilities is deploying backup generators at vulnerable sites as part of its mitigation strategy.

Regulatory Landscape

United Utilities highlighted risks of fragmented oversight between Ofwat and the Environment Agency (“two regulators not talking”). The company sees opportunities for improved coordination even before full regulatory reform. United Utilities is preparing for tighter alignment of environmental and economic regulation during the current price control period.

FINANCIAL IMPLICATIONS

ESG initiatives included within the Pension Fund budget.

LEGAL IMPLICATIONS

Legal implications are included in the report.

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Pension Fund Risk Register	Item 11
Committee	Pension Committee
Officer Reporting	Pete Carpenter - Finance 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 format agreeing the retired risks and those which remain open**

SUPPORTING INFORMATION

Risk Register

The Council's risk management software, JCAD, permits all 14 risks to be classified into two categories, open and closed risks.

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. Whilst open risks are constantly monitored and reviewed every three months, to ensure the status are still aligned with the risk measurement.

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

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- PEN 5 - Pensioners living longer
- PEN 6 - Poor Performance of Outsourced Administrator
- PEN 8 - ESG - Risk of financial loss through the negative impact of ESG matters

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

- PEN 7 - Cyber Security
- 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 11 - Failure of the pool in management of funds / access to funds
- 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

All seven open risks 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 (Red, Amber, Green) rated to identify level. Scoring is included in the attached Risk Matrix.

Although risks have remained static, the "Fit for Future" legislation, which was due to come into force on the 1st April 2026, has still not been approved by Parliament. We are following the "spirit" of the changes and transferring so that 100% of our assets are with the LCIV. If the legislation has not been approved by the next Committee meeting, this will become a significant risk.

FINANCIAL IMPLICATIONS

The financial implications are contained in the risk register attached.

LEGAL IMPLICATIONS

The legal implications are contained in the risk register attached.

Risk Ref	Risk Title and Description	Causes	Consequences	Status	Risk Owner	Review Date	Risk Category	Last Review Date	Last Reviewed By	Review Comments	Directorate	Service	Risk Type	Created Date	Current Rating	Controlled Profile	Controlled Rating	Uncontrolled Profile	Uncontrolled Rating
PENS0024	PEN 7 - Cyber Security	Inappropriate cyber protection, ongoing management and contingency planning leading to vulnerabilities.	Los of data Ransom demands Non delivery of statutory service	Static	Tunde Adekoya	01/03/2026	IT & Technology	04/02/2026	Tunde Adekoya	Risk Reviewed - No Changes Required PEN 7 - Cyber Security	Finance Directorate	Statutory Accounting, Investments & Pensions	Operational	30/05/2024	8 E1		8 E1		8
PENS0009	PEN 9 - Liquidity on asset management - risk of failure to liquidate assets or meet drawdown calls	Lack of notice given for drawdown Poor cashflow management	Unable to meet trades Financial penalties Overdraft fees	Static	Tunde Adekoya	12/04/2026	Financial	12/01/2026	Tunde Adekoya	Risk Reviewed - No Changes Required PEN 9 - Liquidity on asset management - risk of failure to liquidate assets or meet drawdown calls	Finance Directorate	Statutory Accounting, Investments & Pensions	Operational	30/05/2024	8 F1		4 E1		8
PENS0010	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 on pensioners Reputational damage Fines	Static	Tunde Adekoya	01/03/2026	Financial	19/02/2026	Tunde Adekoya	Risk Reviewed - No Changes Required Pen 10 - Liquidity on members dealings - risk that the fund is unable to settle member payments	Finance Directorate	Statutory Accounting, Investments & Pensions	Operational	30/05/2024	4 E3		4 E3		4
PENS0011	PEN 11 - Failure of the pool in management of funds / access to funds	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	Static	Tunde Adekoya	04/03/2026	Financial	04/02/2026	Tunde Adekoya	Risk Reviewed - No Changes Required PEN 11 - Failure of the pool in management of funds / access to funds	Finance Directorate	Statutory Accounting, Investments & Pensions	Operational	30/05/2024	12 E1		8 E1		8
PENS0017	PEN 12 - Failure of the Fund's governance to comply with statutory requirements	New General CoP needs gap analysis and rectification GMP moral vs regulatory requirement Knowledge gaps resulting in ineffectiveness of Committee and/or Board	by TPR for non code compliance Not delivering best practice in accordance with the new code TPR/DLUHC action taken against the Fund for not GMP non compliance Poor decisions and/or	Static	Tunde Adekoya	04/05/2026	Statutory Service Provision	04/02/2026	Tunde Adekoya	Risk Reviewed - No Changes Required PEN 12 - Failure of the Fund's governance to comply with statutory requirements	Finance Directorate	Statutory Accounting, Investments & Pensions	Operational	30/05/2024	6 E4		2 D3		6
PENS0016	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 vacant position.	Static	Tunde Adekoya	04/05/2026	Statutory Service Provision	04/02/2026	Tunde Adekoya	Risk Reviewed - No Changes Required PEN 13 - Key officer risk	Finance Directorate	Statutory Accounting, Investments & Pensions	Operational	30/05/2024	6 E4		2 B3		10
PENS0015	PEN 14 - Failure of employers to deliver accurate and timely employee administration information	Poor outsource contract management by employers Poor performance of outsourced service providers Inadequate payroll reporting by Hillingdon Council Lack of ownership by employers	Inaccurate pension records Reporting of employers to TPR - and subsequent ramifications (Fines) Incorrect pensions being paid Pensions payment not processed efficiently Additional pension administration costs	Static	Tunde Adekoya	04/05/2026	Statutory Service Provision	04/02/2026	Tunde Adekoya	Risk Reviewed - No Changes Required PEN 14 - Failure of employers to deliver accurate and timely employee administration information	Finance Directorate	Statutory Accounting, Investments & Pensions	Operational	30/05/2024	8 F4		1 A3		12

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Risk Ref	Risk Title and Description	Causes	Consequences	Status	Risk Owner	Risk Category	Directorate	Service	Risk Type	Created Date	Current Rating	Controlled Profile	Controlled Rating	Uncontrolled Profile	Uncontrolled Rating
PENS0020	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	Tunde Adekoya	Financial	Finance Directorate	Statutory Accounting, Investments & Pensions	Operational	29/05/2024	12 D1			12 D1	12
PENS0021	PEN 02 - Inappropriate long-term investment strategy	Incorrect asset allocation and fund manager selection.	Increased employer contributions.	Closed/Tolerated	Tunde Adekoya	Financial	Finance Directorate	Statutory Accounting, Investments & Pensions	Operational	29/05/2024	12 E1			8 D1	12
PENS0019	PEN 03 - Active investment manager under-performance relative to benchmark	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	Tunde Adekoya	Financial	Finance Directorate	Statutory Accounting, Investments & Pensions	Operational	29/05/2024	12 D1			12 D1	12
PENS0023	PEN 04 - Inflation - Pay and price inflation significantly more than anticipated	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	Tunde Adekoya	Financial	Finance Directorate	Statutory Accounting, Investments & Pensions	Operational	29/05/2024	12 E1			8 D1	12
PENS0018	PEN 05 - Pensioners living longer	Improvements in longevity	Pension costs exceeding forecast Reduced funding level	Closed/Tolerated	Tunde Adekoya	Financial	Finance Directorate	Statutory Accounting, Investments & Pensions	Operational	30/05/2024	6 E2			6 E2	6
PENS0025	PEN 06 - Poor Performance of Outsourced Administrator	Poor service delivery of outsource partner Poor contract management Lack of action when improvements	Non delivery of pension payments Non compliance with pension regulations	Closed/Tolerated	Tunde Adekoya	Statutory Service Provision	Finance Directorate	Statutory Accounting, Investments & Pensions	Operational	30/05/2024	6 F2			3 E2	6
PENS0022	PEN 8 - ESG - Risk of financial loss through the negative impact of ESG matters	Negative ESG influences creating an environ	Reduced asset value Reduced funding level	Closed/Tolerated	Tunde Adekoya	Financial	Finance Directorate	Statutory Accounting, Investments & Pensions	Operational	30/05/2024	0			0	0

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GOVERNANCE Part I

Item 12

Committee	Pensions Committee
Officer Reporting	Pete Carpenter, Finance Tunde Adekoya, Finance
Papers with report	Pension Committee Workplan Pension Committee Training Log Draft Pension Fund Annual Report (Including the Accounts)

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. Note Committee Work Plan**
- 3. Note Committee’s Continuous Professional Development update**
- 4. Note GCoP Update**
- 5. Note and Approve Draft Pension Fund Annual Report**

SUPPORTING INFORMATION

The Pension Committee workplan has been updated and is now shown as an appendix to this report. The policies listed below have been rescheduled for review at the dates next to each policy to ensure that they are in line with triennial valuation and responsibly manage Pensions committee agenda items.

Governance Policy & Compliance Statement– December 26

Training Policy – December 26

Scheme Pays Policy – December 26

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

Once the new pensions legislation and related Fit For The Future guidance has received Royal Assent and been published the Work plan and relevant policies will need to be re-visited.

Agreed future meeting dates:

Classification: Public

Pensions Committee 24 March 2026

11 June 2026
29 September 2026
10 December 2026
31 March 2027

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.

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 2026/27

Attached to this paper is the updated training log for all Pensions Committee members detailing training undergone during 2026/27.

General Code of Practice

The general code of practice became effective in September 2025, and we are currently on schedule to become compliant with the code. The main compliance policy documents outstanding, the Cyber Policy and EDI Policy have now been updated. The revised Cyber Policy will be presented in Part II for approval by the committee as well as the next steps of EDI policy, Gap analysis, which has been completed by officers and the Pensions Board.

Draft Responsible Investment Policy

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

The updated Responsible Investment (RI) Policy (March 2026) for the London Borough of Hillingdon Pension Fund was considered under Item 7 of this agenda.

Draft Pension Fund Annual Report (including the accounts)

Classification: Public
Pensions Committee 24 March 2026

The aim of the Pension Fund Annual Report is to provide transparent, comprehensive and comparable information about how the London Borough of Hillingdon Pension Fund has been managed over the reporting year (2024/25).

The key purposes of the Annual report are as follows:

1. To report on the management and financial performance of the Fund

The annual report must detail how the pension fund has been managed, including its financial performance during the year.

2. To meet statutory requirements under the LGPS Regulations

LGPS administering authorities are required by regulation 57 of the LGPS Regulations 2013 to prepare, maintain and publish an annual report showing the fund's activities and performance.

3. To provide consistent and comparable information across all LGPS funds

National guidance from the Scheme Advisory Board (SAB), CIPFA and DLUHC aims to ensure annual reports present consistent data, enabling comparability across funds.

4. To communicate key information to stakeholders

This includes governance arrangements, funding and investment activity, administration performance, actuarial information, and audited financial statements supporting transparency for members, employers, committees, boards and regulators.

The Pension Fund accounts, which forms part of this report have been successfully audited by Ernst & Young LLP and approved by Audit Committee on 26 February 2026.

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 - Pensions Committee agenda plan

	Frequency	Last review	Mar-26	Jun-26	Sept 26	Dec 26	Mar 27	June 27
Policies								
Governance Policy & Compliance Statement inc Governance Compliance Statement		Dec-23				Y		
Conflicts of Interests Policy		Mar-23					Y	
Risk Management Policy		Mar-25						
Procedure for Reporting Breaches of the Law		Oct-24						
Funding Strategy Statement		Mar-26	Y					
Investment Strategy Statement	At least every 3 years	Mar-26	Y					
Responsible Investment Policy		Mar-26	Y					
Training Policy		Dec-23				Y		
Pensions Administration Strategy		Dec-25					Y	
Scheme pays policy		Dec-23				Y		
Internal Disputes Resolution Procedure (IDRP) Employees Guide		Dec-25						
Communications Policy		Sep-24						
Discretions Policy		Jun-25						
Pensions Administration								
Pensions Administration Performance	Quarterly		Y	Y	Y	Y	Y	Y
Breaches, Complaints and Appeals	Annually			Y				
Pension Board Annual Report	Annually		Y			Y		
Funding								
Actuarial Valuation	Every 3 years	Mar-26	Y					
Investment								
Review of Investment Strategy	Every 3 years	Mar-26	Y					
Investment update and manager review	Quarterly		Y	Y	Y	Y	Y	Y
Responsible Investment Update	Quarterly		Y	Y	Y	Y	Y	Y
Climate Risk Dashbaord (TCFD)	Every 3 years	Dec-25						

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Agenda Item 13

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