

London Borough of Hillingdon Pension Fund

Funding and risk report as at 30 June 2021

Reliances and limitations

This report was commissioned by and is addressed to the London Borough of Hillingdon in their capacity as the Administering Authority and is provided to assist in monitoring certain funding and investment metrics. It should not be used for any other purpose. It should not be released or otherwise disclosed to any third party except as required by law or with our prior written consent, in which case it should be released in its entirety. **Decisions should not be taken based on the information herein without written advice from your consultant.** Neither I nor Hymans Robertson LLP accept any liability to any other party unless we have expressly accepted such liability in writing.

The method and assumptions used to calculate the updated funding position are consistent with those disclosed in the documents associated with the last formal actuarial valuation as at 31 March 2019, although the financial assumptions have been updated to reflect known changes in market conditions. The calculations contain approximations and the accuracy of this type of funding update declines with time from the valuation; differences between the position shown in this report and the position which a new valuation would show can be significant. It is not possible to assess its accuracy without carrying out a full actuarial valuation. This update complies with Technical Actuarial Standard 100.

Funding Level Table

	30 June 2021	Ongoing Funding
Assets		£1,215m
Liabilities		£1,343m
Surplus/(deficit)		(£128m)
Funding level		90.5%

Summary

This funding update is provided to illustrate the estimated development of the funding position from 31 March 2019 to 30 June 2021, for the London Borough of Hillingdon Pension Fund ("the Fund").

At the last formal valuation, the Fund assets were £1,067m and the liabilities were £1,228m. This represented a deficit of £161m and equated to a funding level of 87%.

Markets have been severely disrupted by COVID 19 which have resulted in challenging conditions. In the 27 months since the formal valuation, investment returns have been above expectations although the outlook for future investment returns on the Fund's portfolio of assets is less positive which serves to increase the value placed on the liabilities. Combining these key factors, the funding level is estimated to have increased by c3.5% compared to 31 March 2019. Should you have any queries please contact me.

Craig Alexander FFA

London Borough of Hillingdon Pension Fund | Strategy and Risk Management dashboard

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Funding Level Table

30 June 2021	Ongoing Funding
Assets	£1,215m
Liabilities	£1,343m
Surplus/(deficit)	(£128m)
Funding level	90.5%

Analysis of Surplus Table

Surplus/(deficit)	£m
Surplus/(deficit) as at 31/03/2019	(161)
Contributions (less benefits accruing)	2
Interest on surplus/(deficit)	(2)
Excess return on assets	120
Change in inflation & expected future investment return	(87)
Surplus/(deficit) as at 30/06/2021	(128)

Market Indicators Table

	31 March 2019	30 June 2021
Market yields (p.a.)		
Fixed interest gilts	1.49%	1.18%
Index-linked gilts	-1.81%	-2.10%
Implied inflation	3.36%	3.35%
AA corporate bond yield	2.36%	1.87%
Price Index		
FTSE All Share	3,978	4,015
FTSE 100	7,279	7,037
Expected future investment return (p.a.)		
20yr annualised return on Fund's asset portfolio*	4.0%	3.7%

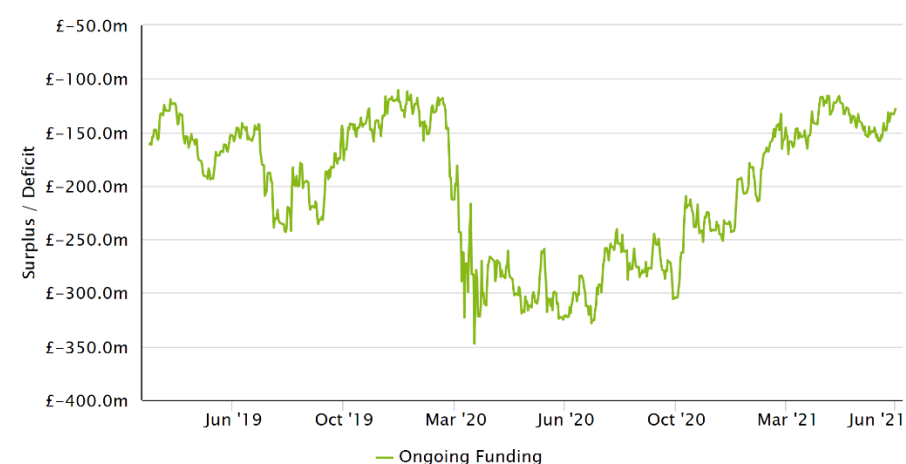
*There is at least a 74% likelihood of the Fund's investments achieving a return of at least 3.7% p.a. over the next 20 years

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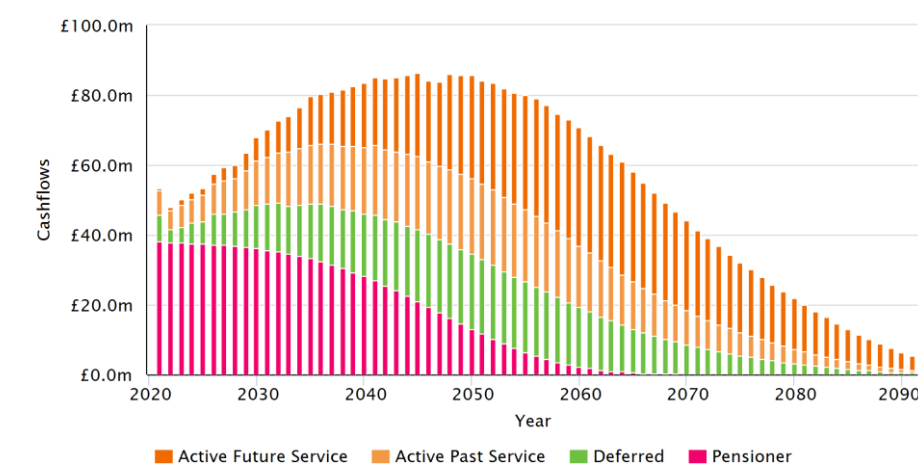
Funding Level Progression Chart



Funding Level Progression Chart

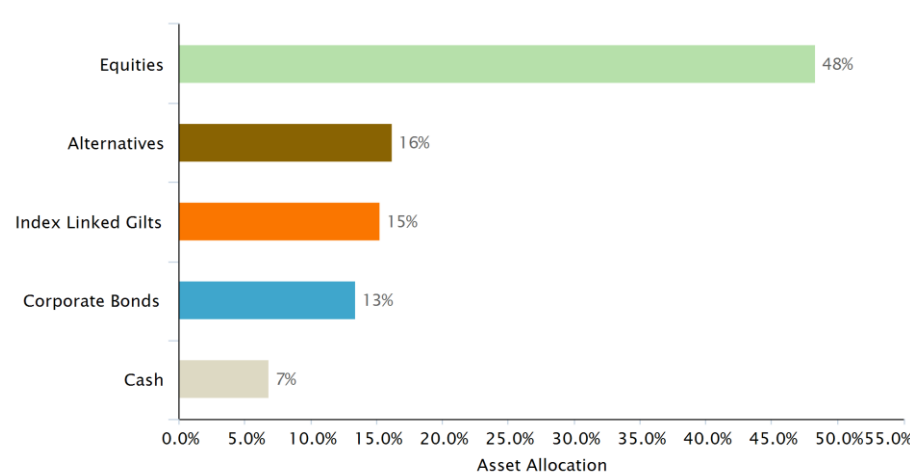


Projected Cashflows Chart

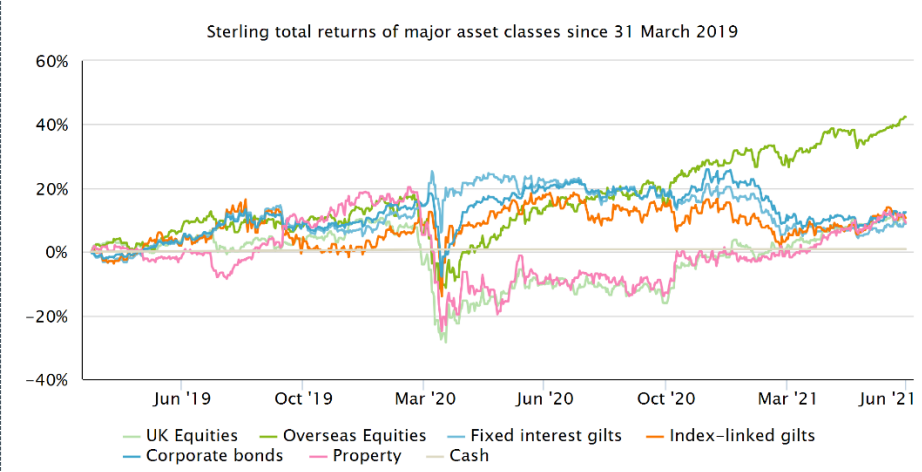


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Asset Allocation Chart



Index Return Chart



Sensitivity Matrix

Sensitivity Matrix as at 30 June 2021 for Ongoing funding basis (£m)

Shift in equity level (using FTSE 100 levels as proxy)

	4,926 -30%	5,630 -20%	6,334 -10%	7,037	7,741 +10%	8,445 +20%	9,149 +30%
+0.6	(258)	(179)	(101)	(22)	56	134	213
+0.4	(291)	(212)	(134)	(55)	23	101	180
+0.2	(326)	(247)	(169)	(91)	(12)	66	144
0.0	(363)	(285)	(207)	(128)	(50)	28	107
-0.2	(403)	(325)	(247)	(168)	(90)	(12)	67
-0.4	(446)	(368)	(290)	(211)	(133)	(55)	24
-0.6	(492)	(414)	(336)	(257)	(179)	(101)	(22)

Shift in expected future investment return (% p.a.)

less than 50% 50% - 85% 85% - 95% 95% - 100% 100% - 105% 105% - 115% greater than 115%