

## 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.

# London Borough of Hillingdon Pension Fund

Funding and risk report as at 30 September 2021

## Funding Level Table

	30 September 2021	Ongoing Funding
Assets		£1,234m
Liabilities		£1,371m
Surplus/(deficit)		(£137m)
Funding level		90.0%

HEADLINE

## Summary

This funding update is provided to illustrate the estimated development of the funding position from 31 March 2019 to 30 September 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%.

Fund returns have been strong since the previous formal valuation, although the outlook for future investment returns has worsened slightly and inflation expectations have increased. Combining these key factors, the funding level is estimated to have increased by around 3% compared to 31 March 2019.

Craig Alexander FFA

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

## Funding Level Table

30 September 2021	Ongoing Funding
Assets	£1,234m
Liabilities	£1,371m
Surplus/(deficit)	(£137m)
Funding level	90.0%

## Analysis of Surplus Table

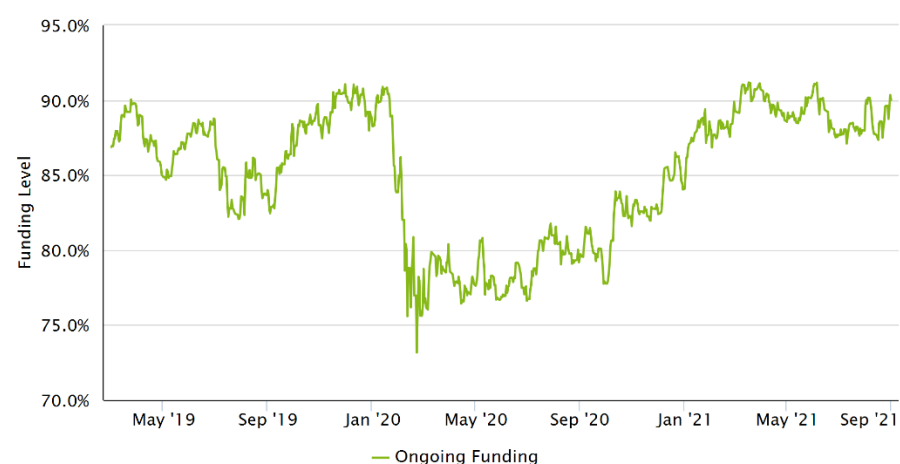
Surplus/(deficit)	£m
Surplus/(deficit) as at 31/03/2019	(161)
Contributions (less benefits accruing)	1
Interest on surplus/(deficit)	(2)
Excess return on assets	136
Change in inflation & expected future investment return	(111)
Surplus/(deficit) as at 30/09/2021	(137)

## Market Indicators Table

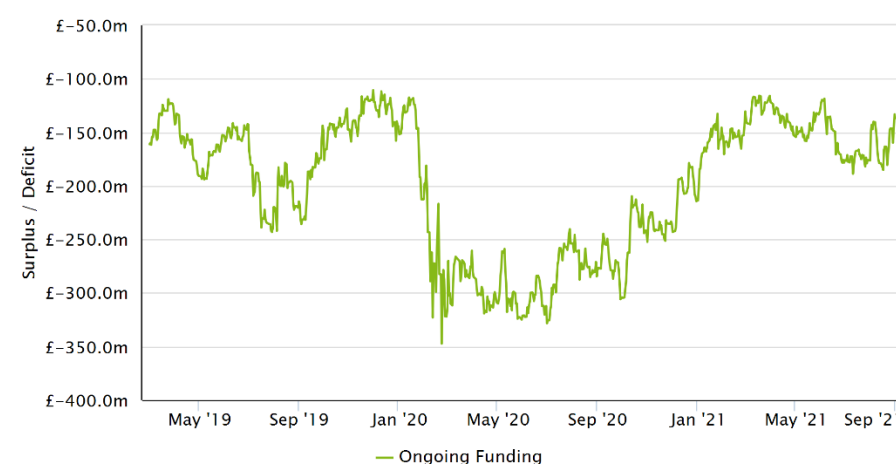
	31 March 2019	30 September 2021
Market yields (p.a.)		
Fixed interest gilts	1.49%	1.33%
Index-linked gilts	-1.81%	-2.13%
Implied inflation	3.36%	3.54%
AA corporate bond yield	2.36%	2.02%
Price Index		
FTSE All Share	3,978	4,059
FTSE 100	7,279	7,086
Expected future investment return (p.a.)		
20yr annualised return on Fund's asset portfolio*	4.0%	3.9%

\*There is at least a 74% likelihood of the Fund's investments achieving a return of at least 3.9% p.a. over the next 20 years

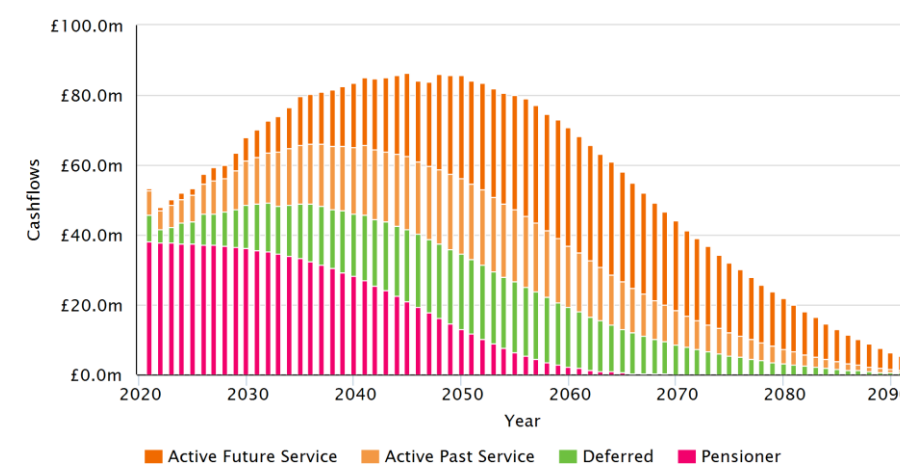
## Funding Level Progression Chart



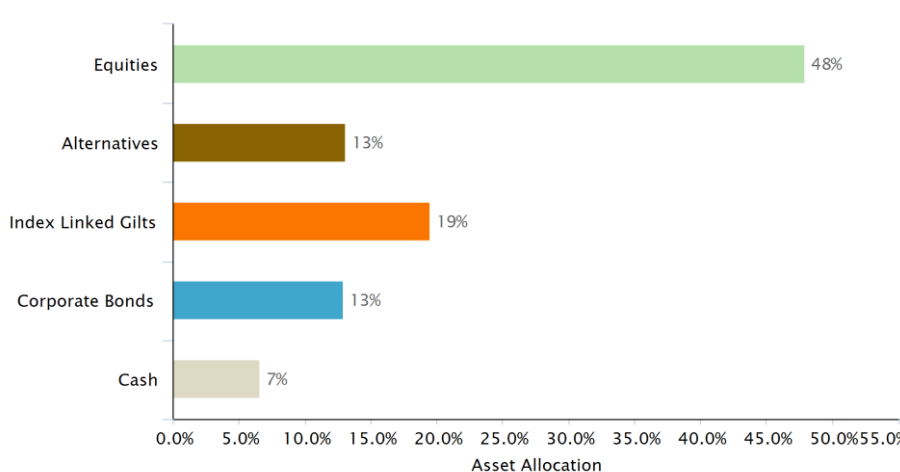
## Funding Level Progression Chart



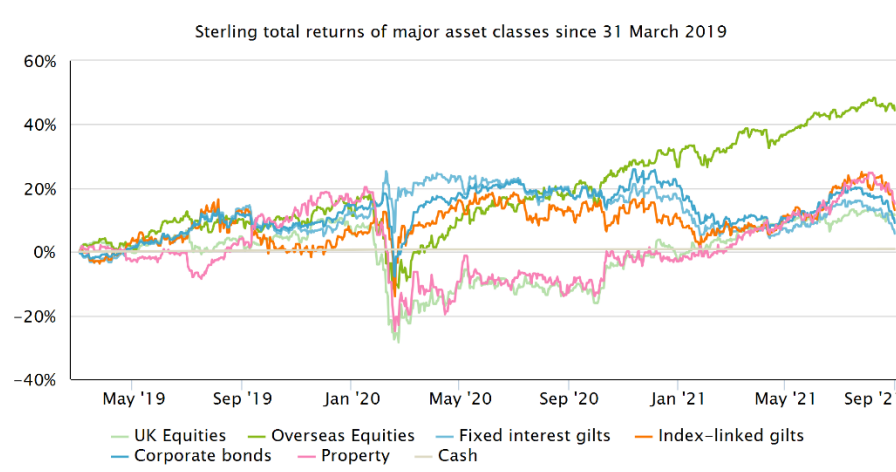
## Projected Cashflows Chart



## Asset Allocation Chart



## Index Return Chart



## Sensitivity Matrix

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

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

	4,960 -30%	5,669 -20%	6,378 -10%	7,086	7,795 +10%	8,504 +20%	9,212 +30%
+0.6	(261)	(186)	(111)	(35)	40	115	190
+0.4	(293)	(218)	(142)	(67)	8	84	159
+0.2	(327)	(251)	(176)	(101)	(26)	50	125
0.0	(363)	(288)	(212)	(137)	(62)	14	89
-0.2	(401)	(326)	(251)	(175)	(100)	(25)	50
-0.4	(443)	(367)	(292)	(217)	(141)	(66)	9
-0.6	(487)	(412)	(336)	(261)	(186)	(110)	(35)

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

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