

London Borough of Hillingdon Pension Fund Annual Report 2021/22

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CHAIRMAN'S FOREWORD

This year has seen the Fund continue its momentum of change and working towards greater Environmental, Social and Governance (ESG) themes and support of the London Collective Investment Vehicle (LCIV). Investment returns performed in line with expectations with the Fund's assets growing by £101m and now total £1,266m overall.

The Committee has kept a keen eye on inflation risk and has undertaken specific analysis to ensure the investment strategy remains fit for purpose. In conjunction with this the Fund is still cashflow positive on member transactions, with member contributions higher than monies paid out in benefits. This will continue to be the case as we move into a double-digit inflationary period, however there is flexibility within the strategy to utilise income yields if required.

The Fund has embarked on a number of major projects and initiatives this year. The first of which to note was the move to our new administration service partner, Hampshire County Council. The project and transition were a year in planning and implementation, and I am pleased to say that it was delivered on budget and on time. Since going live at the end of September 2021, we have seen a vast improvement in service and Hampshire has delivered 100% against the agreed key performance indicators and has worked with the Fund to undertake data cleansing exercises and improve administration governance.

Another major project and commitment were the application to become UK Stewardship Code signatories. Throughout the year the Fund developed its values and beliefs, updated policies, set new objectives and committed to a number of collaborative and engagement initiatives. This was a major endeavour and heightens the Fund's commitment to the ESG agenda.

Although outside this reporting period I can confirm the final application was submitted in April 2022 and I am extremely pleased to announce that in September 2022 we received confirmation that our application was successful, and we met the required criteria. This sets us out at the forefront of ESG within London being only one of two boroughs to receive signatory status.

Furthermore, the Fund signed up to support the Task Force on Climate Related Financial Disclosures (TCFD) and will embark on implementing their recommendations and reporting requirements as relevant regulation follows.

Throughout the year the Fund worked with LCIV, positively engaging on several governance improvements and reporting enhancements. The collaboration has resulted on what we believe were necessary improvements and allowed us to make further investments with LCIV. These included a £70m commitment to their Private Debt Fund along with £110m transfer of our Multi Asset Credit allocation.

This engagement and these transactions show our commitment and support to LCIV and the pooling agenda. The Fund now has all liquid investments and many new private market allocations with the pool, representing 80% of assets pooled. This is up from 69% in March 2021 and is one of the highest allocations in London.

The Pensions Board continues to support the Committee and Fund and been active on ensuring cyber robustness and delivering compliance with governance issues and the Pensions Regulator Code of Practice. The Board, along with the Committee, were heavily involved in the ongoing monitoring of the administration transfer project to ensure a smooth and informed move to Hampshire. The Board and Committee continue to work well together to ensure governance and oversight are at the highest levels.

Overall, during 2021/22 the Fund made great strides on leading the ESG and pooling agenda and has performed well, both from an operational and investment perspective.

As we move into the triennial valuation year, I believe the Fund is in a strong position to address and deliver on the upcoming challenges and improve the overall funding level.

As Chairman, I would like to again add my personal thanks to Committee and Board members, officers, and advisers for all their hard work throughout this demanding year.

Cllr Martin Goddard

Chairman Pensions Committee 2021/22

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INTRODUCTION TO THE FUND

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

Hillingdon is the Administering Authority for the Fund. Pensions and entitlement to benefits are fully protected in law. Membership of the Scheme is open to all employees of the Council including school employees except for teachers (who have their own pension scheme). Other employers are admitted to the Pension Fund and depending on their status; their employees may also be able to participate in the LGPS. Employee contributions are determined by central government and are between 5.5% and 12.5% of pensionable pay. Employer rates are set by the Fund actuary every 3 years following a valuation of the assets and liabilities of the Fund, with the latest valuation on 31 March 2019.

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

The Pension Scheme during the financial year 2021/22 was a defined benefit career average revalued earnings scheme, which aligns LGPS retirement age with an individual's state pension age. The key benefits of the scheme are outlined below:

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

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

- A guaranteed pension based on final pay and length of time in the scheme and an accrual rate of 1/60th per annum.
- Tax-free lump sum on benefit accumulated prior to 1 April 2008 and option to convert some of the pension into tax-free lump sum on post 1 April 2008 service.
- Life assurance cover 3x member final pay applicable from the day of joining Scheme.

- Pensions for dependents: - spouses, civil partners and eligible co-habiting partners and eligible children.
- An entitlement to have pension paid early on medical grounds.
- Pensions increase annually in line with the cost of living (CPI).

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

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

Additional Voluntary Contributions

A facility is available for scheme members to make Additional Voluntary Contributions (AVCs). The Pension Fund Committee has appointed Prudential as the nominated provider for this purpose. This is run separately to the Hillingdon Pension Fund. Further details are available from the Prudential Pensions Connection Team on 0800 032 6674.

Regulations

The Local Government Pension Scheme Regulations 2013 (as amended)

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

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

A: OVERALL FUND MANAGEMENT

SCHEME MANAGEMENT AND ADVISERS

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

Corporate Director of Finance

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

Officers Responsible for the Fund

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

James Lake	Head of Statutory Accounts and Pensions
Tunde Adekoya	Pension Fund Accountant
Seby Carvalho	Pensions Technical Officer
Jean Boeg	Pensions Officer

Scheme Administration

Administration of the scheme was contracted out to Hampshire Pension Service (HPS) from 30 September 2021 (Surrey County Council (SCC) replaced 30 September 2021) to provide the pensions administration under delegated authority for the London Borough of Hillingdon. HPS maintains pension scheme membership records and calculates benefits.

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

Fund Custodian and Performance Monitoring

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

Northern Trust provide performance analytics, comparing the performance of the Fund and individual managers to agreed benchmarks and market indices on a monthly, quarterly, and annual basis.

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

Fund Actuary

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

Fund Managers

Day-to-day investment management of the Fund's assets is delegated to specialist managers in accordance with the LGPS (Management and Investment of Funds) Regulations 2016. During 2019/20, the following managers managed the Fund's investments externally:

Fund Manager	Asset Class
Adam Street Partners	Private Equity
AEW UK	UK Core Property
JP Morgan Asset Management	Multi Asset Credit
Legal & General Investment Management	Listed Equities and Index Linked Bonds - (Passive) – Pooled & Property Pooled
London CIV – Baillie Gifford	Global Equity Income - Pooled
London CIV - Ruffer	Absolute Return Fund - Pooled
London CIV - Stepstone	Infrastructure - Pooled
London CIV – Churchill	Private Debt - Pooled
LGT Capital Partners	Private Equity
M&G Investments (Direct Investment)	Private Debt
Macquarie Investment	Infrastructure
Permira LLP	Private Debt
UBS Global Asset Management	UK Property Fund of Funds

Fund Pool and Pool Operator

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

Advisors to the Fund

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

*David O'Hara
Partner
Investment Advisory
Tax & Pensions
Iseran Bidco Ltd (Isio)
10 Norwich Street
London EC4A 1BD*

In addition, the Fund had an Independent Advisor for 2020/21 – Clare Scott.

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

*Aon Hewitt
25 Marsh Street
Bristol
BS1 4AQ*

Legal Services

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

Auditor

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

*Ernst & Young LLP
1 More London Place
London
SE1 2AF*

Banker

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

*Natwest Bank Plc
Unit 227-228 Intu Shopping Centre
The Chimes
High Street Uxbridge
UB8 1LA*

AVC Provider

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

*Prudential AVC Customer Services
Prudential
Craigforth
FK9 9UE*

RISK MANAGEMENT

Risk Management within the Governance Structure

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

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

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

To whom this Policy Applies

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

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

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

Aims and Objectives

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

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

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

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

Responsibility

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

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

The London Borough of Hillingdon Pension Fund Risk Management Process

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



1. Risk Identification

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

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

- formal risk assessment exercises managed by the Pension Committee
- performance measurement against agreed objectives
- findings of internal and external audit and other adviser reports
- feedback from the local Pension Board, employers, and other stakeholders
- informal meetings of senior officers or other staff involved in the management of the Fund
- liaison with other organisations, regional and national associations, professional groups, etc.

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

2. Risk Analysis & Evaluation

Once potential risks have been identified, the next stage of the process is to analyse and profile each risk. Risks will be assessed by considering the likelihood of the risk occurring and the impact

if it does occur, with the score for likelihood multiplied by the score for impact to determine the current overall risk rating, as illustrated in the table below.

		Risk rating	Risk rating	Risk rating	Risk rating
LIKELIHOOD	Very High (A) This week	A4	A3	A2	A1
	High (B) This month	B4	B3	B2	B1
	Significant (C) This year	C4	C3	C2	C1
	Medium (D) Next year	D4	D3	D2	D1
	Low (E) Next 5 years	E4	E3	E2	E1
	Very Low (F) Next 10 years	F4	F3	F2	F1
		Small (4)	Medium (3)	Large (2)	Very Large (1)
IMPACT: Financial or Reputation					
		up to £500k	Between £500k and £10m	Between £10m and £50m	Over £50m
		Minor complaint, no media interest	One off local media interest	Adverse national media interest or sustained local interest	Ministerial intervention, public inquiry, remembered for years

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

3. Risk Control and Response

The Head of Finance – Statutory Accounting and Pension Fund will review the extent to which the identified risks are covered by existing internal controls and determine whether any further action is required to control the risk, including reducing the likelihood of a risk event occurring or reducing the severity of the consequences should it occur. Before any such action can be taken, Pension Committee approval may be required where appropriate officer delegations are not in place. The result of any change to the internal controls could result in any of the following:

- **Tolerate** – the exposure of a risk may be tolerable without any further action being taken; this is partially driven by the Administering Authority's risk 'appetite' in relation to the Pension Fund.
- **Treat** – action is taken to constrain the risk to an acceptable level.
- **Terminate** – some risks will only be treatable, or containable to acceptable levels, by terminating the activity.
- **Transfer** - for example, transferring the risk to another party either by insurance or through a contractual arrangement.

The Fund's risk register details all further action in relation to a risk and the owner for that action.

The Fund has a cautious risk appetite, particularly in relation to investment, reflecting the Fund's preference for safe delivery options that have a low degree of residual risk with a strong control framework in place for investment operations. The Fund will take risks that have been carefully considered and where controls have been implemented to reduce the likelihood of a risk materialising or the impact if one did materialise. This means that the Fund puts processes and systems in place that ensure achievement of planned outcomes, although controls would not be put in place where the cost of these exceeds the value of the expected benefits.

4. Risk Monitoring & Review

Risk monitoring is the final part of the risk management cycle and will be the responsibility of the Pension Committee. In monitoring risk management activity, the Committee will consider whether:

- the risk controls taken achieved the desired outcomes
- the procedures adopted and information gathered for undertaking the risk assessment were appropriate
- greater knowledge of the risk and potential outcomes would have improved the decision-making process in relation to that risk
- there are any lessons to be learned for the future assessment and management of risks.

5. Risk Reporting

Progress in managing risks will be monitored and recorded on the risk register. The risk register, including any changes to the internal controls, will be provided to the Pension Committee.

The Pension Committee will be provided with updates on a quarterly basis in relation to any changes to risks and any newly identified risks.

As a matter of course, the local Pension Board will be provided with the same information as is provided to the Pension Committee and they will be able to provide comment and input to the management of risks.

In order to identify whether the objectives of this policy are being met, the Administering Authority will review the delivery of the requirements of this Policy taking into consideration any feedback from the local Pension Board.

The risks identified are of significant importance to the Pension Fund. Where a risk is identified that could be of significance to the Council it would be included in either the Finance Group Register or the Corporate Risk Register.

Key risks to the effective delivery of this Policy

The key risks to the delivery of this Policy are outlined below. The Pension Committee will monitor these and other key risks and consider how to respond to them.

- Risk management becomes mechanistic, is not embodied into the day-to-day management of the Fund and consequently the objectives of the Policy are not delivered
- Changes in Pension Committee and/or local Pension Board membership and/or senior officers mean key risks are not identified due to lack of knowledge
- Insufficient resources are available to satisfactorily assess or take appropriate action in relation to identified risks
- Risks are incorrectly assessed due to a lack of knowledge or understanding, leading to inappropriate levels of risk being taken without proper controls
- Lack of engagement or awareness of external factors means key risks are not identified.

- Conflicts of interest or other factors lead to a failure to identify or assess risks appropriately.

Costs

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

Approval, Review and Consultation

This Risk Policy was approved at the London Borough of Hillingdon Pension Committee meeting on 15 June 2016 and last amended on 30 March 2022. It will be formally reviewed and updated at least every three years or sooner if the risk management arrangements or other matters included within it merit reconsideration.

Third Party risk such as late payment of contributions

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

In respect of Investment Managers, internal control reports (AAF 01/06 and SSAE16) are received and reviewed regularly for any non-compliance issues. If management response to non-compliant issues is unsatisfactory, the matter is then addressed directly with the fund manager for further assurance.

Controls assurance reports

Fund manager	Type of report	Assurance obtained	Reporting accountant
Adams Street Partners	SOC 1	Reasonable Assurance	KPMG LLP
AEW UK Ltd	ISAE 3402	Reasonable Assurance	BDO LLP
JP Morgan Asset management	Non-Provided	N/A	N/A
Legal & General Investments Management	AAF 01/20/ ISAE 3402	Reasonable Assurance	KPMG LLP
LCIV	Third Party Controls Oversight	Reasonable Assurance	N/A
M&G	SOC 1 (IFDS Transfer Agency)	Reasonable Assurance	PWC
Macquarie Infrastructure Real Assets	Internal Controls Report	Reasonable Assurance	RMG Internal Audit (Macquarie Risk Management Group)
Northern Trust Company	SOC 1	Reasonable Assurance	KPMG LLP
Permira LLP	SOC 1- Provided by Alterdomus, the fund's custodians	Reasonable Assurance	Ernst & Young LLP
UBS Asset Management	SOC 1	Reasonable Assurance	Ernst & Young LLP

NB: UBS Asset Management: Basis of qualified opinion issued by auditors hinged on lack of sufficient evidence by manager to demonstrate that quality control check was completed for certain "New security set ups" and "Recording of Dividend Income Data Events". The manager was contacted and responded that by confirming "Standardised control checks have been created for both highlighted exceptions and these will make evidence gathering on both processes more efficient".

The risk management policy was introduced during 2016 as part of the work undertaken by the local Pension Board. While Committee regularly review Fund risks through the risk register, it was identified that a formal risk management policy had not been drafted. The policy is available at:

<https://archive.hillingdon.gov.uk/article/6492/Pension-fund>

B: FINANCIAL PERFORMANCE

The London Borough of Hillingdon Pension Fund is open to employees of the Council, non-teaching staff of local authority schools and certain other bodies eligible to join the Fund. Membership of the LGPS is not compulsory, although employees are automatically admitted to the Fund unless they elect otherwise. Over the last few years, total membership of the Fund has continued to grow, as have the number of employers participating in the Fund.

General Scheme membership

Membership of the scheme is split between

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

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

Membership Summary

	2021/22	2020/21	2019/20	2018/19
Active Members	5,593	7,768	7,435	9,015
Pensioners/Dependants	7,402	6,861	6,682	6,881
Deferred	11,999	10,225	10,571	9,643
Total Membership	24,994	24,854	24,688	25,539

CONTRIBUTIONS

Total Employee contributions (including transfers) into the Fund during 2021/22 amounted to £54.9m compared to £53.4m for the previous year. The 3% increase from previous year is mainly attributable to the increased active membership and employee's pay increases during the year under review. Employee contributions ranged from 5.5% to 12.5% dependent on pensionable pay. The Fund actuary sets employer contribution rates and the rates that applied during 2021/22 were set from the 2019 valuation.

Analytical Review of Performance

	2021/22	2020/21	2019/20	2018/19
Pension Fund Account	£' 000	£' 000	£' 000	£' 000
Dealings With Members				
Contributions	54,966	53,484	49,051	44,663
Pensions	-57,077	-50,752	-54,058	-46,642
Net Additions/(Withdrawals) from Dealings with members	-2,111	2,732	-5,007	-1,979
Management Expenses	-10,832	-10,749	-9,882	-8,833
Net Investment Returns	11,858	13,667	23,101	22,732
Change In Market Value	102,033	170,519	-86,092	42,843
Taxes On Income	-35	-22	-48	-83
Net Increase/(Decrease) In Fund	100,913	176,147	-77,928	54,680

Analysis of Dealings with Members

	2021/22	2020/21	2019/20	2018/19
	£' 000	£' 000	£' 000	£' 000
Contributions Receivable				
Employees	11,015	10,231	10,109	9,486
Employers	39,654	38,450	37,196	33,330
Transfers In - Individual Transfers In	4,297	4,803	1,746	1,489
Transfers In - Bulk Transfer In	0	0	0	0
Total Contributions	54,966	53,484	49,051	44,305

	2021/22	2020/21	2019/20	2018/19
	£' 000	£' 000	£' 000	£' 000
Benefits and Other payments				
Pensions	-42,557	-39,955	-38,846	-36,423
Lump Sum Retirements and Death Benefits	-9,472	-7,256	-8,342	-7,593
Transfers Out	-4,887	-3,459	-6,767	-2,547
Refunds	-161	-82	-103	-79
Total Payments	-57,077	-50,752	-54,058	-46,642

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

- Lump Sum Paid in 2021/22 increased by 23% as due to more people made redundant.
- Transfers out for 2021/22 increased by 29% compared to previous year as more individuals transferred their services out the Hillingdon Fund. Whilst Transfers In dropped by 11% from 2020/2021 due to fewer transactions.

Analysis of Operational Expenses

	2021/22	2020/21	2019/20	2018/19
	£' 000	£' 000	£' 000	£' 000
Administration				
Employees	-384	-397	-324	-355
Outsourced Administration Costs	-954	-545	-481	-433
Support Services Charges	-47	-21	-20	-52
	-1,385	-963	-825	-840
Governance and Oversight				
Investment Advisory Services	-84	-113	-95	-55
Governance & Compliance	-29	-42	-36	-12
External Audit	-26	-26	-17	-22
Actuarial Fees	-86	-57	-142	-7
	-225	-238	-290	-96

Investment Management				
Management Fees	-5,984	-4,463	-6,485	-5,934
Performance Fees	-1,132	-2,143	-1,080	-1,405
Transaction Costs	-2,046	-2,881	-1,143	-492
Custodian fees	-60	-61	-59	-66
	-9,222	-9,548	-8,767	-7,897
Total Operational Expenses	-10,832	-10,749	-9,882	-8,833

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

- Transaction costs decreased by about 30% due to less portfolio activities by active fund managers within the LCIV pooled funds.
- Investment management expenses increase is attributable to increased alternative investments with London CIV (Infrastructure & Private Debt)
- Increase in actuarial fees was mainly due to valuation year activities fees compared to 2020/21.

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C: INVESTMENT POLICY AND PERFORMANCE

Investment Policy

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

The ISS sets out responsibilities relating to the overall investment policy of the Fund including:

- asset allocations
- restrictions on investment types
- methods of investment management
- performance monitoring.

The ISS also sets out the Fund's approach to Environmental Social Governance issues, and how the Fund demonstrates compliance with the 'Myners Principles'. These principles are a set of recommendations relating to the investment of pension funds originally prepared by Lord Myners in 2001 and subsequently endorsed by Government. The current version of the Myners Principles covers the following areas:

- Effective decision making.
- Clear objectives.
- Risk & liabilities.
- Performance Measurement.
- Responsible ownership.
- Transparency and reporting.

From 2017/18, the LGPS (Management and Investment of Funds) Regulations 2016, requires the Fund to publish an Investment Strategy Statement (ISS), which replaces the Statement of Investment Principles.

The ISS addresses each of the objectives included in the 2016 Regulations, namely:

- The administering requirement to invest Fund money in a wide range of instruments
- The administering authority's assessment of the suitability of investments and types of investment
- The administering authority's approach to risk, including the ways in which risks are to be measured and managed

- The administering authority's approach to pooling investments, including the use of collective investment vehicles
- The administering authority's policy on how social, environmental, or corporate governance considerations are considered in the selection, non-selection, retention, and realisation of investments.

Fund Value and Asset allocation

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

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

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

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The asset allocation as of 31 March 2022 is as follows:

Asset Category	Opening Value 01 April 2021	Strategic Weighting	Actual Weighting	Closing Value 31 March 2022	Strategic Weighting	Actual Weighting
	£'000	%	%	£'000	%	%
Equities	537,107	45	46	577,692	46	46
DGF	50,833	0	4	54,528	0	4
Bonds	261,498	24	23	268,297	24	21
Property	139,177	12	12	175,623	12	14
Alternatives:						0
Private Equity	13,369	1	1	8,545	0	1
Infrastructure	34,327	8	3	43,208	8	3
Private Credit	60,253	5	5	68,176	5	5
Long Lease Property	49,749	5	4	56,203	5	4
Cash	15,255	0	1	11,928	0	1
Total	1,161,568	100	100	1,264,200	100	100

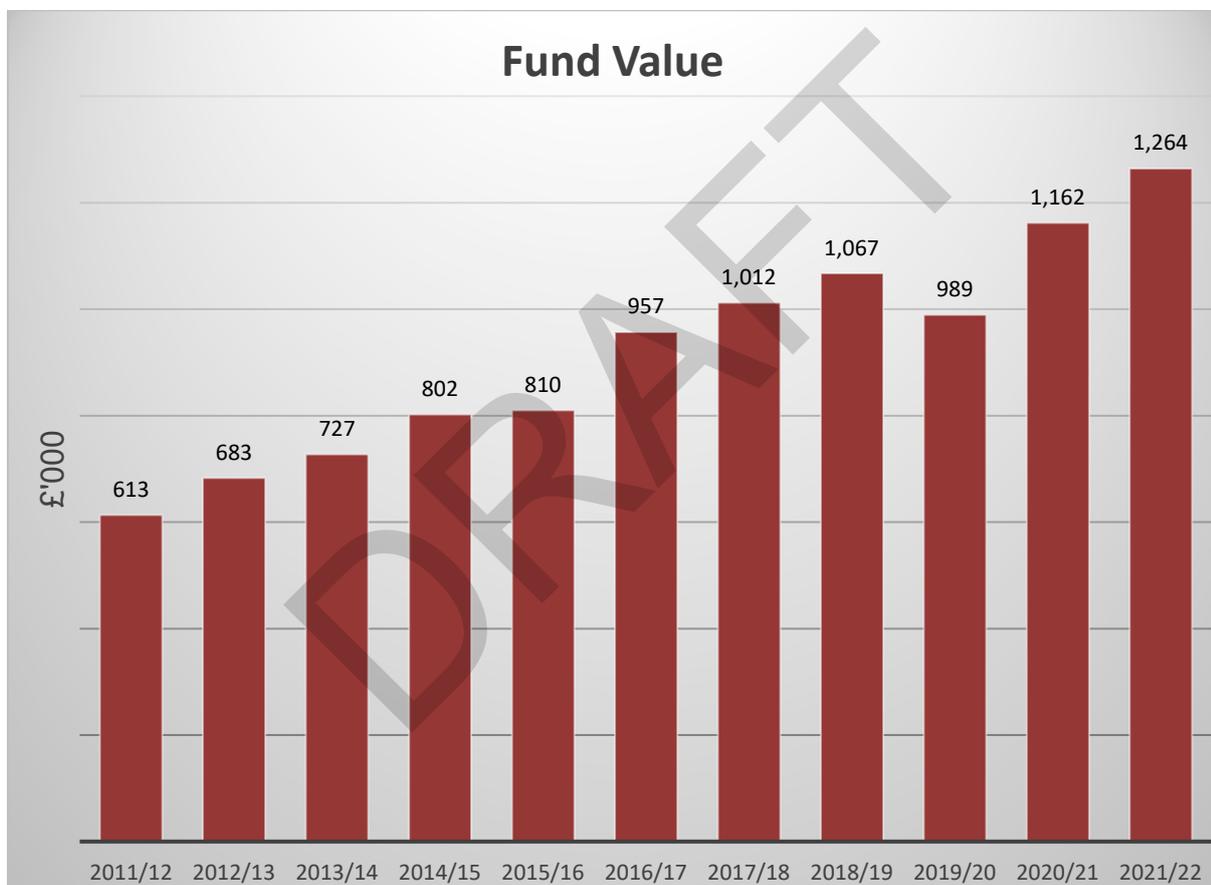
Asset Allocation Variances

The table above shows 4% variances between DGF strategic and actual weightings compared to its strategic allocation. This attributable to asset allocation decisions taken previously to fund LCIV Infrastructure with DGF allocation reduced to zero.

Weighting difference in Infrastructure is due to the allocated commitments to LCIV-Infrastructure offerings yet to be fully drawn-down and still invested in DGF.

Fund Value

The Fund value increased by £103m as recovery from the impact of COVID-19 continue to manifest in the asset prices during the current year under review.



Funding Strategy Statement

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

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

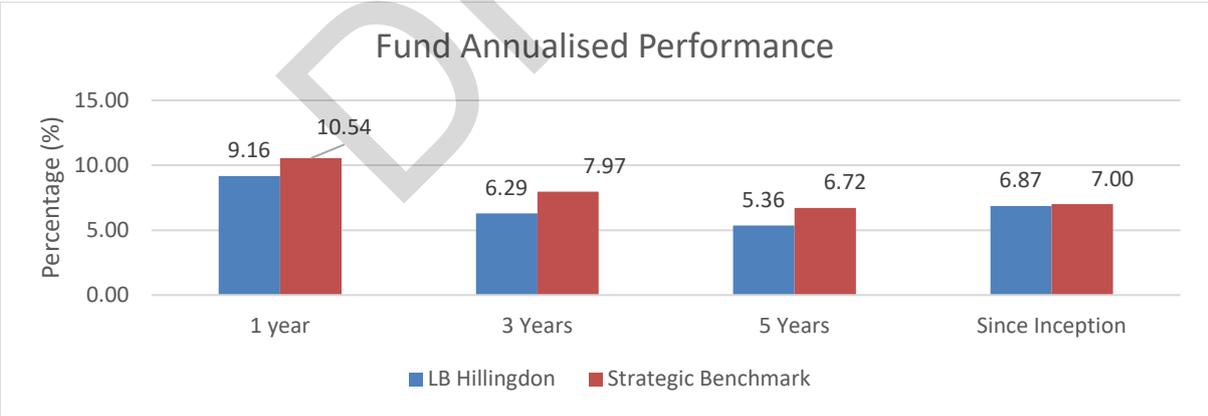
The latest Funding Strategy Statement can be accessed via the Pension Fund Web page.

<https://archive.hillingdon.gov.uk/article/6492/Pension-fund>

Investment Performance

Overall relative performance of the Fund for the year 2021/22 was 1.38% behind the overall benchmark. Across all performance measurement intervals of one, three and five years, the annualised returns were behind the respective benchmarks as shown in the chart below.

The since inception relative performance was 0.13% behind the benchmark.

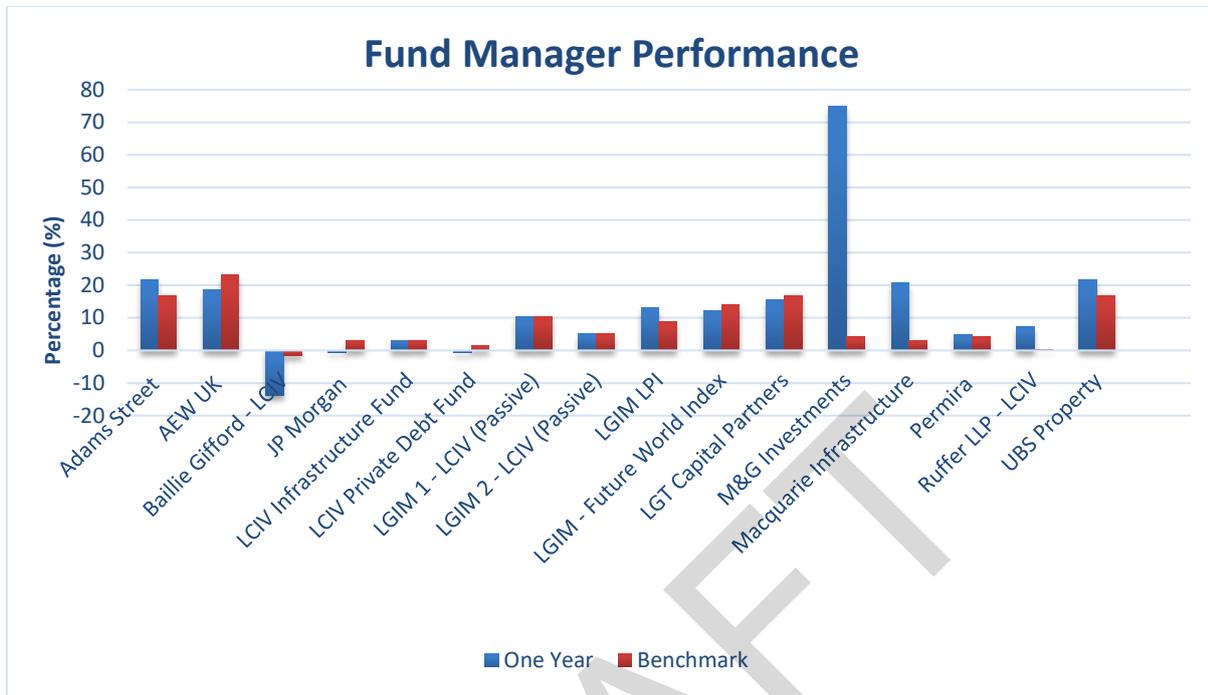


Performance of the Fund is measured against an overall strategic benchmark. Below this, each Fund Manager is given individual performance targets, which are linked to index returns for the assets they manage. Details of these targets can be found in the ISS.

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

Investment Managers Performance

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



Fund Manager Performance 2021/22		
	One Year	Benchmark
	%	%
Adams Street	21.55	16.72
AEW UK	18.48	23.14
Baillie Gifford - LCIV	-13.75	-1.69
JP Morgan	-0.52	3.17
LCIV Infrastructure Fund	3.10	3.17
LCIV Private Debt Fund	-0.68	1.47
LGIM 1 - LCIV (Passive)	10.40	10.43
LGIM 2 - LCIV (Passive)	5.11	5.11
LGIM LPI	12.97	8.96
LGIM - Future World Index	12.29	14.11
LGT Capital Partners	15.63	16.72
M&G Investments	74.94	4.17
Macquarie Infrastructure	20.68	3.17
Permira	4.76	4.17
Ruffer LLP - LCIV	7.27	0.17
UBS Property	21.55	16.72

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

- Targets for active fund mandates are set to out-perform the benchmark by a set percentage through active stock selection and asset allocation. Fund managers with active fund mandates are Adams Street, AEW UK, Baillie Gifford (LCIV), Churchill (LCIV) JP Morgan, LGT Capital, M&G, Macquarie, Permira, Ruffer (LCIV), Stepstone (LCIV), UBS Property
- Targets for passive funds are set to achieve the benchmark through investment in a stable portfolio. All LGIM mandates are passive.
- Underperformance of the Fund was mainly attributable to underperforming equity manager Baillie Gifford and JP Morgan, a Multi Asset Credit manager.

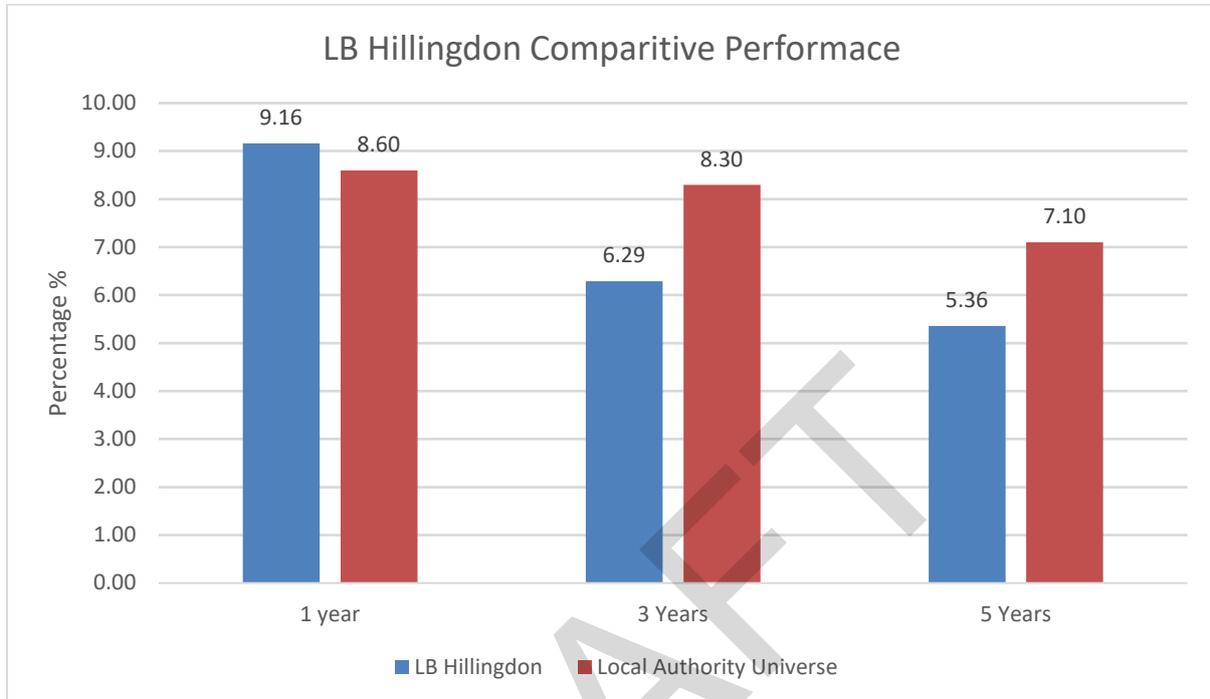
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Historical Fund Managers Performance Returns

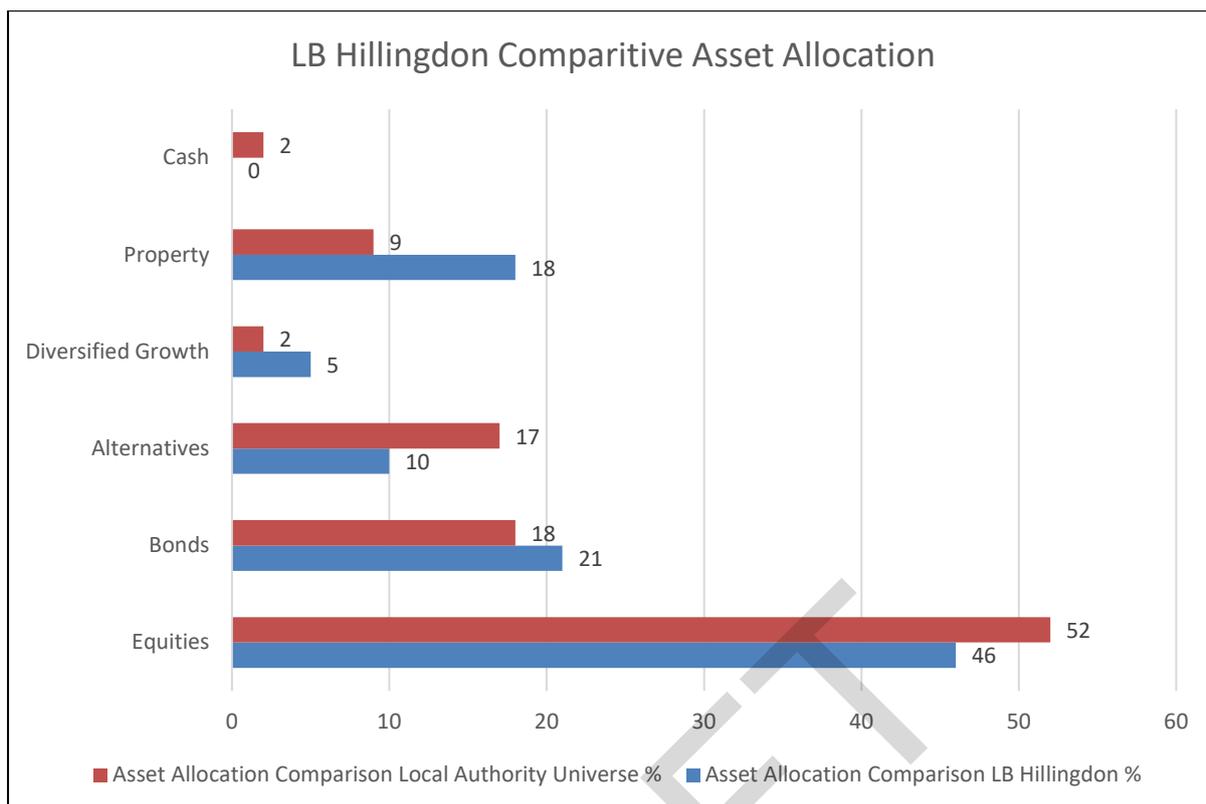
Manager	One Year	Three Years	Five Years	Benchmark
	%	%	%	
Adams Street	21.55	20.31	15.62	MSCI All Countries World Index
AEW UK	18.48	9.90	8.62	IPD UK PPFi All Balanced Funds Index
JP Morgan	-0.52	3.6	3.09	LIBOR +3%pa
LGIM 1 - LCIV (Passive)	10.4	13.21	9.56	FTSE World Developed Equity index Currency Hedged, FTSE World Developed Equity index unHedged, FTSE Emerging Markets
LGIM 2 - LCIV (Passive)	5.11	3.5	4.18	Markit iBoxx £ Non-Gilt
LGT Capital Partners	15.63	11.87	13.86	MSCI All Countries World Index
M&G Investments	74.94	6.38	4.99	Sonia +4%pa
Macquarie Infrastructure	20.68	14.2	13.36	Sonia +3%pa
Permira	4.76	4.78	5.46	Sonia +4%pa
Ruffer LLP - LCIV	7.27	10.33	5.72	Sonia
UBS Property	26.62	8.25	7.49	IPD UK PPFi All Balanced Funds Index

The above tables provide information on those managers that manage fund assets and performance return over three different periods and their respective measurement benchmarks.

Comparative Performance



The graph above shows the Fund's investment returns in comparison with UK Local Authorities average over one, three and five-year periods. The performance difference is partly attributable to the cautious investment philosophy and risk averse asset allocation strategy adopted by the Fund. In addition, performance has also been negatively impacted by poor results from the active equity managers.



Responsible Investing

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

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

We as a Fund appreciates that to gain the attention of companies in addressing governance concerns; collaborating with other investors sharing similar concerns may be an effective tool.

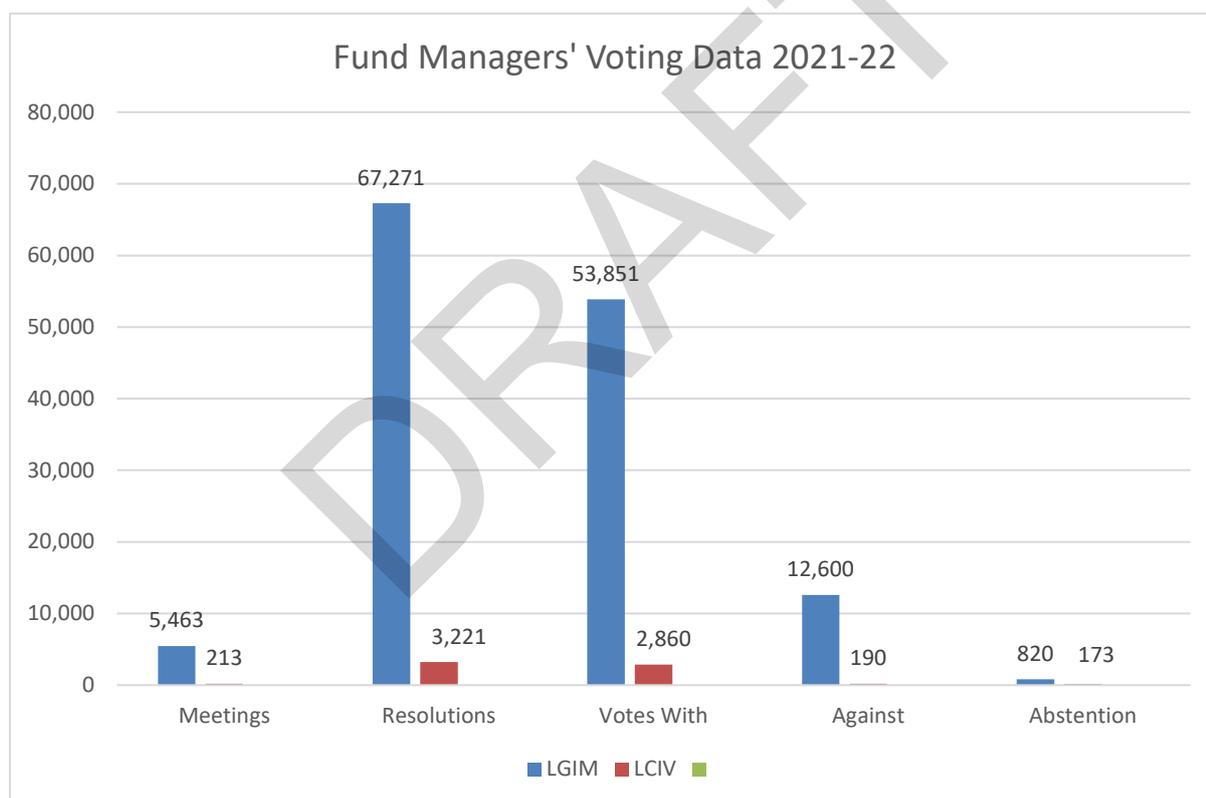
The Fund applied for and was granted signatory status of the 2020 UK Stewardship Code on 02 September 2022.

Exercise of voting rights

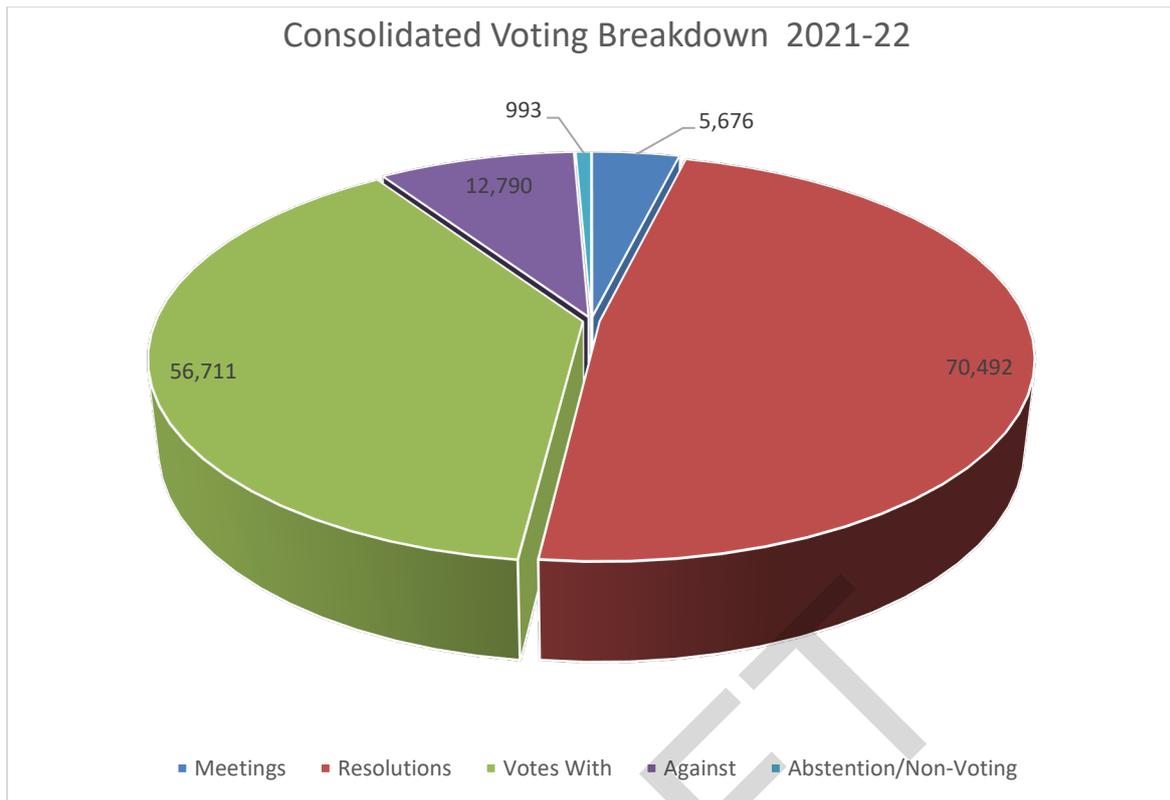
To ensure effective and consistent use of the voting rights, investment managers are tasked with exercising the voting rights accruing to the Fund. If important issues affecting local residents do emanate from actions of invested companies, the Pensions Committee will contact investment managers in charge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

The [UK Stewardship Code 2020](#) sets high stewardship standards for those investing money on behalf of UK savers and pensioners, and those that support them. Stewardship is the responsible allocation, management, and oversight of capital to create long-term value for clients and beneficiaries leading to sustainable benefits for the economy, the environment and society.

The Fund is now a signatory to the 2020 UK Stewardship Code and has produced a compliance statement to achieve signatory status. The Code comprises a set of 12 'apply and explain' Principles for asset managers and asset owners.



The graph above shows a breakdown of voting activities by Fund's investment managers during 2021-22 financial year. LGIM were the most active in terms of voting activities by attending and voting at 5,463 meetings. All managers voting activity relates to the managers votes cast for the funds rather than Hillingdon specific shares.



Custody

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

Separation of Responsibilities

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

As of the 31st of March 2022 the Fund's bank accounts were held with Nat West. Funds not immediately required to pay benefits are held as interest bearing operational cash with the bankers and the custodian.

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

D. SCHEME ADMINISTRATION

Service Delivery

Administration of the scheme is undertaken under delegated authority by the Pensions Team at Surrey County Council. Surrey are responsible for:

- Administering the LGPS on behalf of London Borough of Hillingdon as an Employing Authority in accordance with relevant legislation and Committee decisions.
- Administering the Council's early retirement arrangements in accordance with relevant legislation and Committee decisions.
- Providing advice to scheme members and external scheme Employers on options available under the Council's Pension Scheme; and
- Exploiting information technology to improve service standards and efficiency.

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

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

PERFORMANCE INDICATORS

The contract with Hampshire Pension Services (Previously Surrey County Council until 27 Sept 2021) includes several key performance indicators included to ensure that service to members of the pension fund is effective. The targets are set out below, along with actual performance.

Performance Indicators	Target	Performance	
		2020/21	2021/22
Death notification acknowledged, recorded and documentation sent	5 working days	79%	99%
Payment of death grant made	10 working days	75%	83%
Retirement notification acknowledged, recorded and documentation sent	10 working days	77%	92%
Payment of lump sum made	10 working days	78%	95%
Calculation of spouses benefits	10 working days	68%	75%
Transfers In - Quotes	20 working days	73%	75%
Transfers In - Payments	20 working days	80%	79%
Transfers Out - Quote	20 working days	79%	90%
Transfers Out - Payments	20 working days	82%	94%
Employer estimates provided	10 working days	87%	93%
Employee projections provided	10 working days	87%	99%
Refunds	20 working days	88%	99%
Deferred benefit notifications	20 working days	69%	80%

Note: 2021/22 performance figures are the average of both administration providers in the year under review. Please note since the administration service passed to Hampshire Pension Services, KPI's have consistently been maintained at 100%.

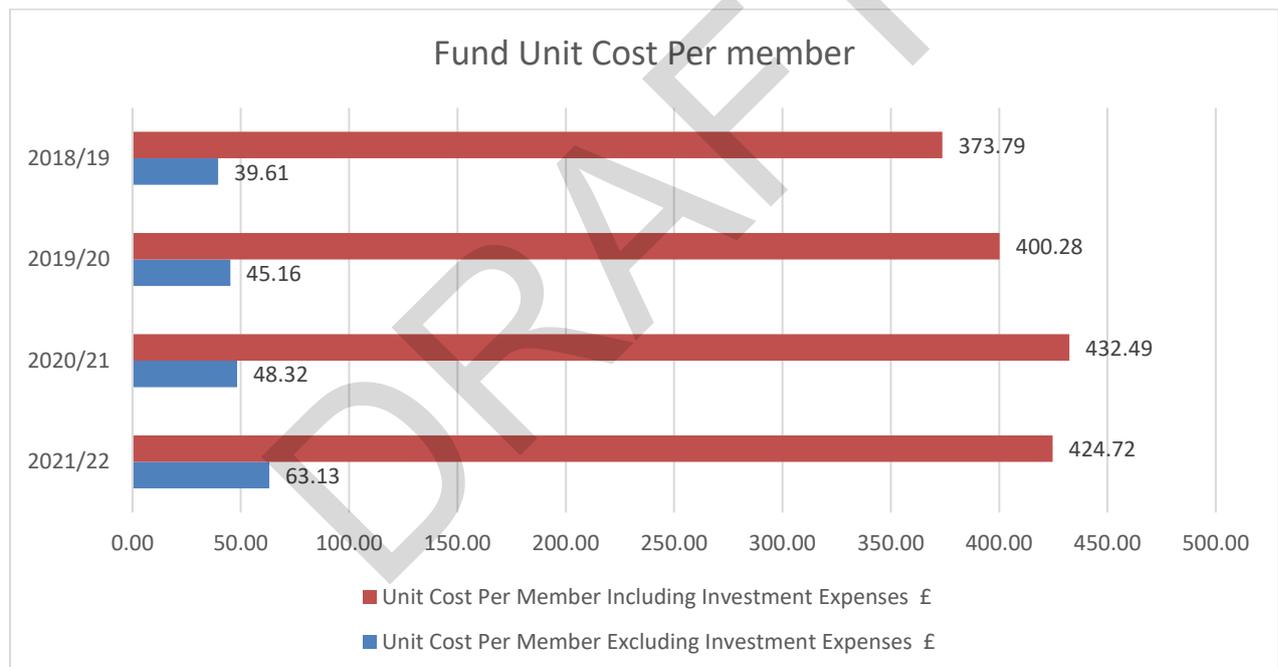
Performance indicators for all measurable metrics Improved throughout 2021/22 due largely to the impact of the new administration provider, Hampshire Pension Service (HPS), engaged in September 2021.

STAFFING COSTS ANALYSIS

The administration of the Fund is outsourced to Surrey County Council run consortium, Orbis, under a Service Level Agreement. Agreed monthly charges are invoiced to cover the administration charges along with any added costs for software licences incurred by Orbis.

1.75 FTE staff are employed by Hillingdon to deal with the added internal administration of the Fund and liaise with Surrey CC on issues or concerns raised by members.

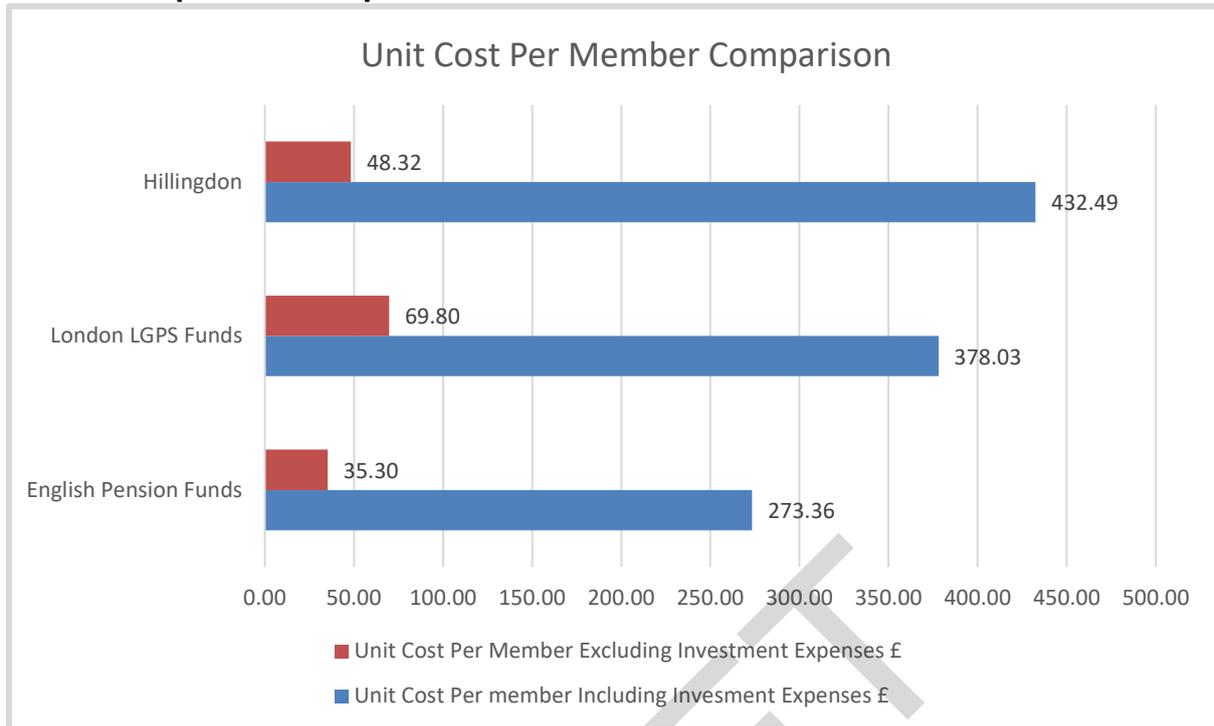
1.80 FTE staff are employed by the Finance Directorate to oversee the governance and accounting side of the Fund.



The increase in administration costs and Investment Management expenses were responsible for increased in costs per member from £48 in 2020/21 to £63 per head in 2021/22. The maturity profile of alternative investments resulted in increased performance fees paid to investment managers in this asset class as portfolios continued to wind down due to expiration of their respective investment periods.

The cost comparison chart below is the latest comparative figure available from the ONS. At time of publishing this report 2021/22 figures were yet to be released.

Membership costs comparison 2020/21

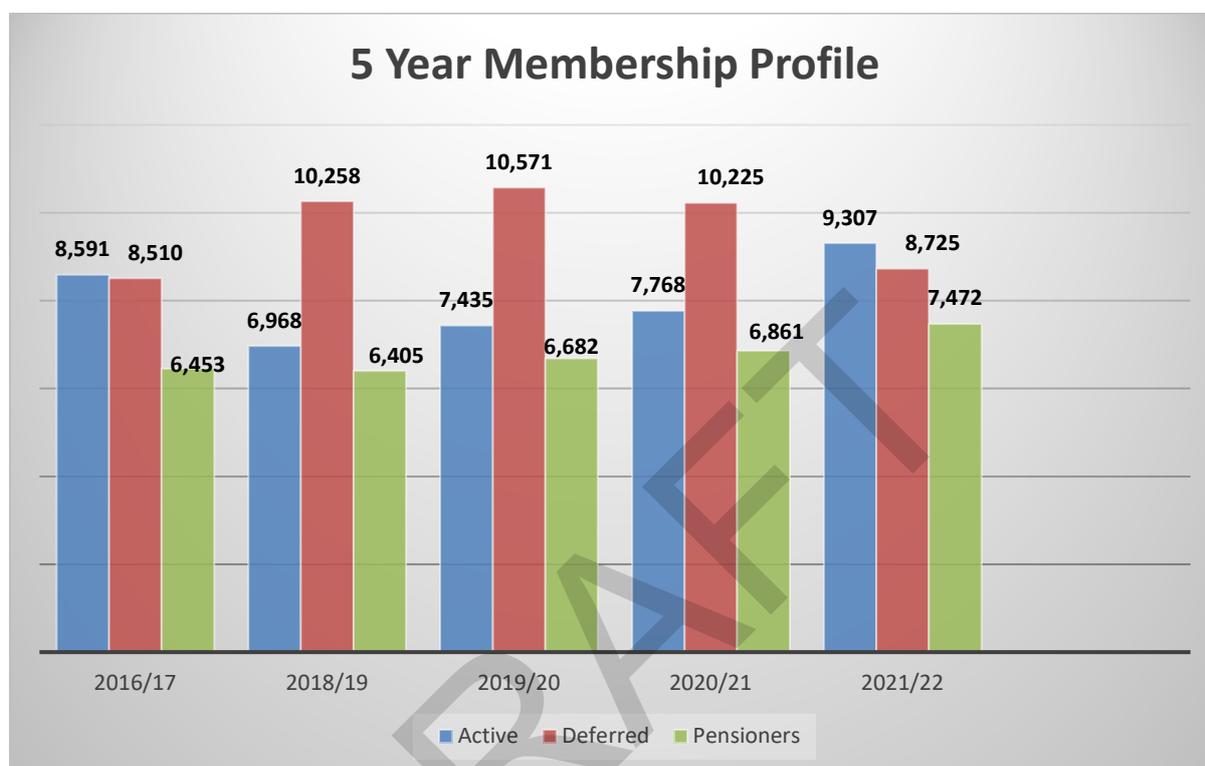


For the year 2020/21, the unit cost per member excluding investment expenses is about 27% higher than the average for Pension Funds in England but less than London Funds' average at £48 per member. The cost per member including Investment management expenses is about £432 per member and comes out higher than most London Pension Funds in comparison.

Based on comparative figures obtained from ONS SF3 available as of 31 March 2022.

MEMBERSHIP

Active and deferred membership continued to grow over the last two financial years. The most significant movement year-on-year is the increase in active membership by 333 and overall scheme membership increased year-on-year by 0.7% from 24,688 to 24,854 in 2020/21. The membership profile over the last five years is shown below:



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

Reasons for leaving	2017/18	2018/19	2019/20	2020/21	2021/22
Ill Health Retirement	8	8	10	6	8
Redundancy	58	39	41	34	28
Total	66	47	51	40	36

COMPLAINTS

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

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

CONTRIBUTING EMPLOYERS AND CONTRIBUTIONS RECEIVED

Below is a list of the current active contributing employers and the contributions received for 2021/22 (Figures include early retirement and deficit funding contributions).

Employer	Type	Total Contributions	Contribution Rate %
		£	
London Borough of Hillingdon	Administering Authority	27,332,420.60	24.1
Barnhill School - ACADEMY	Scheduled Body	275,817.34	24.9
Belmore Primary School - ACADEMY	Scheduled Body	187,186.42	24.1
Bishop Ramsey C Of E School - ACADEMY	Scheduled Body	235,768.70	24.2
Bishopshalt School - ACADEMY	Scheduled Body	254,240.92	26.5
Charville Primary School	Scheduled Body	173,713.65	23.2
Coteford Academy - QED Academy Trust	Scheduled Body	149,734.20	25.9
Cowley St Laurence - LBDS FRAYS ACADEMY	Scheduled Body	131,075.11	23.7
Cranford Park School - Park Federation Academy	Scheduled Body	283,139.14	22.7
Douay Martyrs School - ACADEMY	Scheduled Body	330,699.78	25.9
The Eden Academy (Payroll Staff - Eden Academy Trust)	Scheduled Body	277,485.56	20.9
Field End Infant School	Scheduled Body	139,779.53	24.1
Field End Junior School	Scheduled Body	137,736.86	24.1
Grangewood School - EDEN ACADEMY	Scheduled Body	229,122.58	20.9
Global Academy - Heathrow	Scheduled Body	116,675.68	19.2

Guru Nanak Sikh Secondary - Guru Nanak Academy Trust	Scheduled Body	323,422.91	21.8
Harefield ACADEMY	Scheduled Body	110,318.26	22.5
Haydon Secondary School - ACADEMY	Scheduled Body	383,942.01	23.6
Heathrow Aviation (UTC) Alet	Scheduled Body	34,312.12	20.1
Hillingdon Primary School - Elliot Foundation Trust	Scheduled Body	152,931.83	21.9
The Skills Hub - Orchard Hill College Academy Trust	Scheduled Body	77,368.34	19.4
John Locke Academy - Elliot Foundation Trust	Scheduled Body	128,158.31	20.3
Lake Farm Academy - Park Federation Academy	Scheduled Body	186,299.01	19.6
Laurel Lane Primary School	Scheduled Body	107,073.29	23.7
LDBS FRAYS ACADEMY BGC FRAYS TRUST	Scheduled Body	50,438.11	23.7
LHC	Scheduled Body	959,672.22	24.1
Moorcroft Special School - EDEN ACADEMY	Scheduled Body	217,880.09	20.9
NANAKSAR PRIMARY - Guru Nanak Academy Trust	Scheduled Body	54,891.18	21.8
Northwood Academy - QED Academy Trust	Scheduled Body	167,241.09	23.8
Park Federation - Academy (Payroll Staff)	Scheduled Body	69,984.91	19.6
Pentland Field School - Eden Academy	Scheduled Body	270,681.38	20.9
Pinkwell Primary School - Elliot Foundation Trust	Scheduled Body	322,479.10	25.7
Queensmead Secondary School - QED Academy Trust	Scheduled Body	243,220.47	21.8
Queensmead QED - Naveen Bandari	Scheduled Body	18,500.24	21.8

Rosedale College - Rosedale Hewens Academy Trust	Scheduled Body	408,204.33	22.9
Ruislip Academy	Scheduled Body	309,785.76	25.7
Ryefield ACADEMY - Multi Academy Trust	Scheduled Body	133,674.05	31.3
St Martins Primary School	Scheduled Body	94,587.45	23.7
St Matthews Primary School - LBDS FRAYS ACADEMY	Scheduled Body	99,955.04	23.7
Park West Academy	Scheduled Body	123,012.02	20.7
Sunshine House (Eden Academy)	Scheduled Body	76,970.09	20.9
Swakeleys School - ACADEMY	Scheduled Body	188,149.45	21
HCUC	Scheduled Body	2,136,359.68	23.4
Uxbridge High School - ACADEMY	Scheduled Body	245,442.25	21
Vyners School - Multi Academy Trust	Scheduled Body	356,269.86	29.7
West Drayton Primary School	Scheduled Body	202,684.51	26.4
William Byrd Primary	Scheduled Body	216,951.04	27.3
Willows Special School - ACADEMY	Scheduled Body	76,328.03	31
Woodend Park School - Park Federation Academy	Scheduled Body	230,095.92	22.2
Young Peoples Academy - Orchard Hill Academy College Trust	Scheduled Body	130,918.92	19.4
AIP - Uxbridge High School	Admitted Body	69,162.91	37.5
BRAYBORNE FAC - Bishop Ramsey BISHOP RAMSEY	Admitted Body	12,562.79	35.1
Caterlink - Frays Academy	Admitted Body	14,462.81	30
Caterplus - Genuine Dining	Admitted Body	19,403.47	26
Cleantec (Harlington School)	Admitted Body	8,886.31	35.5
CCS HOMECARE SERVI	Admitted Body	93,348.54	24.1
CUCINA - Bishopshalt	Admitted Body	17,858.61	27.7
CUCINA - Ruislip High School	Admitted Body	2,133.25	27.7
E/N HERTS NHST	Admitted Body	11,931.84	34.6

ENERGY KIDZ LTD	Admitted Body	19,054.64	34.5
Greenwich Leisure Services	Admitted Body	42,462.78	28
Hayward Services (Highfield)	Admitted Body	2,558.47	34.5
Hayward Services (Hillingdon)	Admitted Body	12,263.96	34
Hayward Services (Guru Nanak)	Admitted Body	43,175.22	32.5
Hayward Services (Ryefield)	Admitted Body	10,753.74	37.3
HEATHROW TRAVEL CARE	Admitted Body	53,877.96	18.9
HERTS CATERING LTD	Admitted Body	3,039.05	35.6
Hillingdon & Ealing Citizens Advice	Admitted Body	37,133.49	23.2
PSD Childcare Limited	Admitted Body	1,746.00	34
Taylor Shaw - Haydon Academy	Admitted Body	6,132.94	33.7
West Drayton Primary - Pabulum	Admitted Body	9,466.29	34.4
Total		39,654,214.43	

Analysis of Fund Membership Data

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

Analysis of Fund Membership Data			
	Active	Ceased	Total
Administering Authority	1	0	1
Scheduled Bodies	47	0	47
Admitted Bodies	21	0	21
	69	0	69

London Borough of Hillingdon Pension Fund (“the Fund”)

Actuarial Statement for 2021/22

This statement has been prepared in accordance with Regulation 57(1)(d) of the Local Government Pension Scheme Regulations 2013. It has been prepared at the request of the Administering Authority of the Fund for the purpose of complying with the aforementioned regulation.

Description of Funding Policy

The funding policy is set out in the Administering Authority’s Funding Strategy Statement (FSS). In summary, the key funding principles are as follows:

- 1 to ensure the long-term solvency of the Fund using a prudent long-term view. This will ensure that sufficient funds are available to meet all members’/dependants’ benefits as they fall due for payment.
- 2 to ensure that employer contribution rates are reasonably stable where appropriate.
- 3 to minimise the long-term cash contributions which employers need to pay to the Fund, by recognising the link between assets and liabilities and adopting an investment strategy which balances risk and return (this will also minimise the costs to be borne by Council Taxpayers).
- 4 to reflect the different characteristics of different employers in determining contribution rates. This involves the Fund having a clear and transparent funding strategy to demonstrate how each employer can best meet its own liabilities over future years; and
- 5 to use reasonable measures to reduce the risk to other employers and ultimately to the Council Taxpayer from an employer defaulting on its pension obligations.

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

Funding Position as at the last formal funding valuation

The most recent actuarial valuation carried out under Regulation 62 of the Local Government Pension Scheme Regulations 2013 was as of 31 March 2019. This valuation revealed that the Fund’s assets, which on 31 March 2019 were valued at £1,067 million, were sufficient to meet 87% of the liabilities (i.e. the present value of promised retirement benefits) accrued up to that date. The resulting deficit at the 2019 valuation was £161 million.

Each employer had contribution requirements set at the valuation, with the aim of achieving their funding target within a time horizon and liability measure as per the FSS. Individual employers’ contributions for the period 1 April 2020 to 31 March 2023 were set in accordance with the Fund’s funding policy as set out in its FSS.

Principal Actuarial Assumptions and Method used to value the liabilities

Full details of the methods and assumptions used are described in the 2019 valuation report.

Method

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

Assumptions

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

The key financial assumptions adopted for the 2019 valuation were as follows:

Financial assumptions	31 March 2019
Discount rate	4.0%
Salary increase assumption	2.6%
Benefit increase assumption (CPI)	2.3%

The key demographic assumption was the allowance made for longevity. The life expectancy assumptions are based on the Fund's VitaCurves with improvements in line with the CMI 2018 model, an allowance for smoothing of recent mortality experience and a long-term rate of 1.25% p.a. Based on these assumptions, the average future life expectancies at age 65 are as follows:

	Males	Females
Current Pensioners	22.1 years	24.3 years
Future Pensioners*	22.8 years	25.5 years

*Aged 45 at the 2019 Valuation.

Copies of the 2019 valuation report and Funding Strategy Statement are available on request from the Administering Authority to the Fund.

Experience over the period since 31 March 2019

Markets were severely disrupted by COVID 19 in March 2020, but over most of 2020/21 and 2021/22 they recovered strongly. However, due to the war in Ukraine, March 2022 markets were particularly volatile, which affects values as at the accounting date. All other things being equal, the funding level of the Fund as of 31 March 2022 is likely to be better than that reported at the previous formal valuation as of 31 March 2019.

It is important to note that the formal triennial funding valuation exercise is as of 31 March 2022, and this may show a different picture when the finalised position is disclosed in next year's annual report. In particular, changes in Fund membership, changes in anticipated real investment returns, and changes in demographic assumptions will affect the valuation results. The Funding Strategy Statement will also be reviewed as part of the triennial funding valuation exercise.

Craig Alexander FFA

30 May 2022

For and on behalf of Hymans Robertson LLP

F: GOVERNANCE

Pension Committee

The Pensions Committee is the formal decision-making body for the Fund. The Committee consists of five Councillor Members, all with voting rights. During 2021/22 these were:



Councillor
Martin Goddard
(Chairman)



Councillor
Duncan Flynn
(Vice-Chairman)



Councillor
John
Hensley



Councillor
Raju Sansarpuri



Councillor
John Morse
(Labour Lead)

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

Record of Attendance

Name	Meetings attended
Cllr Martin Goddard	4/4
Cllr Duncan Flynn	4/4
Cllr John Hensley	3/4
Cllr John Morse	3/4
Cllr Raju Sansarpuri	2/4

Local Pension Board

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

The members of the Board meetings during 2021/22 were:

Employer Representatives:

Anil Mehta – From August 2021
Hayley Seabrook – Till July 2021
Shane Woodhatch

Scheme Member Representatives:

Roger Hackett
Tony Noakes

Record of Attendance

Three Meetings were held in 2021/22: July 2021, November 2021, and January 2022

Name	Meetings attended
Anil Mehta	2/3
Hayley Seabrook	1/3
Roger Hackett	3/3
Tony Noakes	3/3
Shane Woodhatch	2/3

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

Knowledge and Skills

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

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

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

Training Received in 2021/22

	Cllr Goddard (Chair)	Cllr Flynn	Cllr Hensley	Cllr Morse	Cllr Sansarpuri
ESG Objectives & Metrics – Isio	Y	Y	Y	N	Y
Inflation - Isio	Y	Y	Y	Y	N
Multi Asset Credit - Isio	Y	Y	Y	Y	N

ANNUAL REPORT OF THE LOCAL PENSIONS BOARD **Item 10**

Committee	Pensions Committee
Reporting Board Member	Roger Hackett – Chair of the Local Pensions Board
Papers with report	Annual Report of the Pensions Board

RECOMMENDATION

1. That the Pensions Committee note the annual report of the Local Pension Board for the year 2021

REASON FOR ITEM

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

This report has been compiled to provide feedback to Pensions Committee on the work undertaken by the Local Pension Board during the year 2021

FINANCIAL IMPLICATIONS

The financial implications are included in the annual report

LEGAL IMPLICATIONS

The legal implications are included in the report

1 Chair's Foreword

Welcome to the Annual Report of the Local Pension Board (LPB) of Hillingdon Pension Fund (HPF). This report covers the period from January to December 2021. At the Board meeting of February 2021, the terms of reference of the Board was changed allowing for the election of a Chair for one year. I was privileged to be elected to serve as Chair of the Board for 2021.

The Board was able to carry out its role of assisting the Administering Authority in securing compliance with regulations despite the challenges of COVID-19. All the meetings were held virtually during this time and Officers and the administration service providers were able to deliver the expected services.

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

- The fund achieving full compliance with the Pension Regulators Code of Practice 14
- Reviewing the Anti-Scamming Arrangements
- Raising awareness of cyber security and the Cyber scorecard assessment
- Monitoring breaches and ensuring corrective actions were implemented
- Full knowledge and skills assessment of Board members and the successful implementation of a comprehensive training plan.
- Supporting the Pensions Committee and Officers in successfully transferring the administration services from Surrey County Council (SCC) to Hampshire County Council (HCC).

The year ahead continues to be met with the challenges of COVID-19 and the resulting uncertainties in terms of changes in rules that the government may implement. However, the Fund has adapted to the changes including the ability to function with staff working remotely.

There are upcoming regulatory changes with which the Fund has to comply and that the Board will oversee; these include:

- The Pensions Regulator's Single Code of Practice
- Updated Good Governance Framework
- The Pensions Dashboard Programme
- The Data Improvement Programme
- Implementation of McCloud & GMP

In closing I would like to thank the Pensions Committee, Officers, Advisers and fellow Board Members for their cooperation and support during my time as Chair and I look forward to helping the Fund address the challenges we expect to face in 2022.

Roger Hackett

Chair of Hillingdon Local Pension Board (2021)

2 Introduction to the Local Pension Board

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

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

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

London Borough of Hillingdon Council ratified the establishment of the Board on 6th November 2014 to commence with effect from 1st April 2015. At its meeting 02 November 2017, Council agreed to change the structure of the Board and its membership to improve the overall effectiveness of the Board. The Board meets four times a year and consists of two Employer representatives, and two Scheme member representatives.

Membership of the Board

Employer Representatives	Scheme Member Representatives
Hayley Seabrook (Jan-21-Jul-21)	Roger Hackett
Shane Woodhatch	Tony Noakes
Anil Mehta (Aug-21-Dec21)	

Record of Attendance

Name	Feb-21	Apr-21	Jul-21	Nov-21
Roger Hackett	Y	Y	Y	Y
Tony Noakes	Y	Y	Y	Y
Hayley Seabrook	Y	Y	Y	n/a
Shane Woodhatch	Y	N	Y	N
Anil Mehta	n/a	n/a	n/a	Y

The Scheme Advisory Board's LGPS Guidance on the Creation and Operation of Local Pension Boards in England and Wales recommends that the Board produces a report to the Pensions Committee, on the work undertaken during the year and future work plans. This report covers the work of the period from February to November 2020.

AON Hewitt is appointed as Governance advisers to support the development and work of the Board and attend meetings as necessary.

3 Summary of the Work of the Board

Transition of administration services

One of the largest pieces of work for the Board during 2021 was their involvement regarding the transition of pension administration services from Surrey County Council to Hampshire County Council.

The Board were heavily involved in monitoring the communications project, change of pension pay-date, risk management and data integrity. The Board provided robust challenge to officers and Committee to ensure all aspects and member interests were taken into consideration and managed appropriately.

The transition proceeded in accordance with the project timeline and successfully went live on 27th September 2021.

TPR code compliance review

The review of the Councils compliance with the TPR code of practice was initially presented to the Board in February 2020 with full compliance in 78 areas, partial compliance in 18 and 1 area of non-compliance. Work continued throughout 2020 reducing partial compliance to 7 and removing the non-compliance item.

During 2021, the Board has worked closely with officers and by the November meeting the Fund had moved to 100% compliance across all areas.

Updated Terms of Reference and Operating Procedures

In 2020 with the start of the pandemic it was noted there were some potential gaps in the Board's Terms of Reference. These were addressed with updated Terms of Reference being approved by the Council. This in turn allowed the Board to prepare a robust and comprehensive set of Operating Procedures giving greater detail and clarity on how the Board should operate.

Cyber Security & Pension Scams

Areas high on the agenda of the Board are cyber security and pension scams. Throughout 2021 various items have been raised by the Board to understand the Funds position. These included the completion of a cyber scorecard to understand the control environment and positioning within a sample of other Funds. Clarification was sought on the Council's own IT security as well as measures in place with third party suppliers. It was confirmed that the Fund's new administration partner HCC had signed up to the Pensions Regulator's Pension Pledge and that they were preparing a policy relating to pension scams and the recently introduced Pension Transfer guidance.

Other key areas of work have been undertaken as outlined below

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

- ESG – Stewardship Code and TCFD progress

Future Work of the Board

As noted in the Chair's foreword, a number of key areas will be monitored in 2022 including:

- The Pensions Regulator's Single Code of Practice
- Updated Good Governance Framework
- The Pensions Dashboard Programme
- The Data Improvement Programme
- Implementation of McCloud and GMP.

Another key area will also focus on the progress of the triennial Fund valuation which is due to commence in April 2022. The Board will attend the session in January 2022 to prepare the Committee and Board members for the process, training and what to expect.

The Board will also keep a keen eye on how the new administration partnership with HCC progresses past the initial implementation.

4 Areas Investigated by the Board

No official investigations were required or undertaken by the Board.

5 Details of any Conflicts of Interest

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

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

A Conflicts of Interest Policy was also introduced following the TPR CoP review which provides guidance to the Board on how to identify and manage conflicts of interest. No major conflicts of interests have arisen other than the declarations made at the start of each meeting.

Board members and officers continue to monitor conflicts of interest.

6 Areas of Concern or Risk

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

In addition, the framework under which the Fund will need to operate is also expected to materially change with the new Single Code of Practice and Good Governance Framework implementation.

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

7 Training

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

Areas of Training	Date	Roger Hackett	Tony Noakes	Hayley Seabrook*	Shane Woodhatch	Anil Mehta*
The Pensions Regulator Public Sector Toolkit	On-demand	Y	Y	Y	Y	Y
The Pensions Regulator Pensions Scam	On-demand	Y				
AON - Introduction to the LGPS	On-demand	Y				
AON - Pension legislation and guidance, and national governance	On-demand	Y				
AON -Local governance and pensions procurement and contract management	On-demand	Y				
AON - Funding strategy and actuarial methods, and financial, accounting and audit matters	On-demand	Y				
AON -Investments – Strategy, asset allocation, pooling, performance, and risk management	On-demand	Y				
AON -Investments - Financial markets and products	On-demand	Y				
AON – Pension Administration & Communications	On-demand	Y				
CIPFA K&S Assessment	On-demand	Y	Y	Y	Y	Y
CIPFA LPB Spring Seminar	15/02/21	Y				
AON Conflicts of Interest Training	Feb-21	Y	Y	Y		
Hymans Keeping the LGPS connected	25/02/21	Y				
AON mitigating cyber security risk	10/03/21	Y				
AON conference current issues for DB schemes	22/03/21	Y				
TPR Pensions scam webinar - Pensions pledge	31/03/21	Y				
Russell-Cooke LLP - how to avoid scams	23/02/21	Y				
AON Cyber risk in LGPS	19/03/21	Y			Y	
CIPFA Annual PB meeting	23/06/21	Y				
Hymans Keeping the LGPS connected	12/05/21	Y				
PLSA - LA Conference	18-19/05/21	Y				
Governance update training (joint) Clare Scott	02/07/21	Y	Y		Y	
Sackers Quarterly Update	15/07/21	Y				
Professional Pensions Live	14/09/21	Y				
Hymans Robertson: LGPS Pensions Administration: Future Challenges and Changes.	30/11/21	Y				

*Term of Office: H Seabrook Jan21-Jul21, A Mehta Aug21-Dec21)

7.2 The future training programme for the Board has been set out below. Board members have been requested to refresh the knowledge and skills assessment to assist officers to develop a targeted training programme.

Areas of Training	Date
AON CIPFA K&S Framework 7 Sessions	On-demand
Triennial Valuation (Joint with Committee)	19-Jan 2022
Investment and portfolio construction in an inflationary/COVID environment - Baillie Gifford view (Joint with Committee)	9-Feb-2022

8 Work Plan

The workplan below sets out the tasks undertaken by the Pension Board during 2021.

Meetings	Specific topics
17 February 2021	<ul style="list-style-type: none"> • Training Update Report • Administration Report • Breaches Log • Cyber Scorecard • Terms of Reference • Pension Board Annual Report • Review of Pension Committee Reports
21 April 2021	<ul style="list-style-type: none"> • tPR Checklist review & focus areas • Training Update Report • Administration Report • Breaches Log • Cyber Scorecard • Terms of Reference • Review of Pension Committee Reports
28 July 2021	<ul style="list-style-type: none"> • tPR Checklist review & focus areas • Training Update Report • Administration Report • Breaches Log • Cyber Scorecard • Review of Pension Committee Reports
3 November 2021	<ul style="list-style-type: none"> • Administration Report and regulatory update • tPR Checklist review & focus areas • Training Update Report • PB Code of Practice • Breaches Log • Cyber Security • Operating Procedures • Review of Pension Committee Reports

The Future workplan of the Board is set out below.

Meetings	Specific topics
26 January 2022	<ul style="list-style-type: none"> • TPR Checklist review & focus areas • Training Update Report • Administration Report • Draft PB Annual Report • Breaches Log • Review of Pension Committee Reports
4 May 2022 (TBC)	<ul style="list-style-type: none"> • Administration Report • TPR Checklist review & focus areas • Data Cleansing Plan/Update • Training Update Report • Breaches Log • Review of Pension Committee Reports
20 July 2022 (TBC)	<ul style="list-style-type: none"> • Administration Report • TPR Checklist review & focus areas • Training Update Report • Breaches Log • Review of Pension Committee Reports
9 November 2022 (TBC)	<ul style="list-style-type: none"> • Administration Report • TPR Checklist review & focus areas • Single Code Update • Training Update Report • Breaches Log • Review of Pension Committee Reports
29 April 2023 (TBC)	<ul style="list-style-type: none"> • Administration Report • TPR Checklist review & focus areas • Training Update Report • Breaches Log • Review of Pension Committee Reports

9 Expenses

The Board incurred expenses of £770 in relation to its operations in 2021. (This does not include the standard governance support fees)

G: FINANCIAL STATEMENTS and INDEPENDENT AUDIT REPORT

Statement of Responsibilities for the Pension Fund Statement of Accounts

1. Council's Responsibilities

The Council is required to:

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

2. Corporate Director of Finance Responsibilities

The Corporate Director of Finance is responsible for the preparation of the Pension Fund accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 ('the Code').

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

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

The Corporate Director of Finance has also:

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

3. Corporate Director of Finance Approval of Pension Fund Accounts

I certify that these accounts present a true and fair view of the financial position of the London Borough of Hillingdon Pension Fund, in terms of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in United Kingdom ('the Code'), as of 31st March 2022 and its income and expenditure for the year then ended.

Andy Evans
CORPORATE DIRECTOR OF FINANCE
28 September 2022

Pension Committee Certificate for the Approval of the Pension Fund Accounts

I confirm that the draft Pension Fund accounts were considered by Pensions Committee at meetings held on 28-09-2022.

I confirm that this Annual Report was considered and approved for publications by Pensions Committee at the meeting held on 28 September 2022.

Cllr Martin Goddard
On behalf of London Borough of Hillingdon Pension Fund
CHAIRMAN (PENSION COMMITTEE)
28 September 2022

DRAFT

Pension Fund Account

PENSION FUND ACCOUNT

	Note	31 March 2022 £'000	31 March 2021 £'000
Contributions	4	50,669	48,681
Transfers In from other pension funds	5	4,297	4,803
		54,966	53,484
Less: Benefits	6	(52,029)	(47,211)
Less: Payments to and on account of leavers	7	(5,048)	(3,541)
		(57,077)	(50,752)
Net additions/(withdrawals) from dealings with members		(2,111)	2,732
Less: Management expenses	8	(10,832)	(10,749)
Net additions/(withdrawals) including fund management expenses		(12,943)	(8,017)
Return on investments			
Investment income	9	11,858	13,667
Profit and losses on disposal of investments and changes in market value of investments	10A	102,033	170,519
Taxes On Income		(35)	(22)
Net return on investments		113,856	184,164
Net Increase/(Decrease) in the fund		100,913	176,147
Net Assets at start of year		1,165,202	989,055
Net Assets at end of year		1,266,115	1,165,202

NET ASSETS STATEMENT

	Note	31 March 2022 £'000	31 March 2021 £'000
Investment Assets	10	1,264,200	1,161,568
Investment Liabilities	10	0	0
Total net investments		1,264,200	1,161,568
Current Assets	11	2,939	4,323
Current Liabilities	12	(1,024)	(689)
Net assets of the fund available to fund benefits at the end of the reporting period		1,266,115	1,165,202

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

Andy Evans
Corporate Director of Finance
8 July 2022

Pension Fund Account

1. DESCRIPTION OF THE FUND

a. General

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

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

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

b. Membership

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

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

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

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

Admitted Bodies:

AIP – Uxbridge High school

Braybourne Facilities - Bishop Ramsey Cleaners

CCS Homecare Service

Caterlink - Frays Academy

Caterplus – Genuine Dining

Cucina - Ruislip High School

Cucina - Bishopshalt

Energy Kidz Ltd

Greenwich Leisure

Cleantec - Harlington School Cleaners

Taylor Shaw - Haydon Academy Catering

Notes to the Pension Fund Account

Hayward Services

- Hillingdon School
- Highfield School
- Guru Nanak School
- Ryefield School

Heathrow Travel Care

Herts Catering

Hillingdon & Ealing Citizens Advice

HPS Services FM Limited

NHS - Michael Sobel House

Pabulum - West Drayton Academy

PSD Childcare Limited

Scheduled Bodies:

Barnhill Academy

Belmore Academy

Bishop Ramsey Academy

Bishopshalt Academy

Charville Academy

Douay Martyrs Academy

Eden Academy Trust

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

Elliot Foundation Trust

- Hillingdon Primary School
- John Locke Academy
- Pinkwell School

Field End Junior School

Guru Nanak Academy Trust

- Nanak Sar Primary School
- Guru Nanak Sikh Academy

Global Academy

Harefield Academy

Harrow & Uxbridge College

Notes to the Pension Fund Account

Haydon Academy

Heathrow Aviation Engineering

Hermitage Primary School

LBDS Frays Academy Trust

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

London Housing Consortium

Orchard Hill College Academy Trust

- Young Peoples Academy
- Skills HUB

Park Federation Trust

- Cranford Park Academy
- Lake Farm Park Federation

QED Academy Trust

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

Rosedale Hewens Academy Trust

- Rosedale College
- Brookside Primary School

Ruislip Academy

Ryefield Primary School

Vyners Academy

Park Academy West London

Swakeleys Academy

Uxbridge Academy

William Byrd School

Willows Academy

Notes to the Pension Fund Account

London Borough of Hillingdon Pension Fund	31 March 2022	31 March 2021
Number of employers with active members	69	61
Number of employees in scheme		
London Borough of Hillingdon	3,562	4,972
Other employers	2,031	2,796
Total	5,593	7,768
Number of Pensioners		
London Borough of Hillingdon	6,643	6,187
Other employers	759	674
Total	7,402	6,861
Deferred Pensioners		
London Borough of Hillingdon	8,635	7,566
Other employers	3,364	2,659
Total	11,999	10,225

c. Funding

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

Contributions are made by active members of the Fund in accordance with the LGPS Regulations 2013 and range from 5.5 % to 12.5% of pensionable pay for the financial year ending 31 March 2022. Employers also pay contributions into the Fund based on triennial funding valuations. The last such valuation was as of 31 March 2019, this covers the three financial years following 2019/20 (2020/21, 2021/2022 & 2022/23). Currently employer contribution rates range from 18.5% to 37.4% of pensionable pay, as per the 2019 valuation.

d. Investments

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

e. Governance

The Fund is overseen by the Pensions Committee (comprised of Councillors) and the Pensions Board (comprised of an even number of employer and member representatives). The performance of the fund managers is monitored by the Pensions Committee (Four meetings in 2021-22) and governance is overseen by the Pensions Board (Four meetings in 2021-22). Pensions Committee and Pensions Board consisted of the following members in 2021/22:

Pensions Committee

Cllr Martin Goddard (Chairman)
Cllr Duncan Flynn (Vice-Chairman)
Cllr Carol Melvin - Till Nov 21

Cllr John Morse
Cllr Raju Sansarpuri
Cllr John Hensley – From Dec 2021

Pensions Board

Roger Hackett (Scheme Member Representative)
Tony Noakes (Employee Representative)
Anil Mehta – From November 2021

Hayley Seabrook (Employer Representative)- Till July 2021
Shane Woodhatch (Employer Representative)

Notes to the Pension Fund Account

2. BASIS OF PREPARATION

The accounts have been compiled in accordance with the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2021/22, which is based on International Financial Reporting Standards (IFRS) as amended for the public sector and underpinned by the Local Government Pension Scheme Regulations. The accounts have been prepared on an accrual basis, except for transfer values, which are accounted for on a cash basis, and summarise the Fund transactions and report on the net assets available to pay pension benefits as of 31 March 2022.

The accounts do not take into account obligations to pay benefits and pensions that fall due after the reporting date (31 March 2022). The Pension Fund Accounts have been prepared on a going concern basis.

3. ACCOUNTING POLICIES

a. Valuation of assets

- Market quoted investments: Equities are valued at bid market prices available on the final day of the accounting period.

- Fixed income securities including short-term instruments are priced based on evaluated prices provided by independent pricing services.

- For pooled funds, if bid prices are provided by the Fund administrators, then these are used, otherwise the Net Asset Value (NAV) is used. The NAV for pooled funds is derived by subtracting the fund's liabilities from assets and divide the result by total units/shares within the pooled fund.

- Private Equity is valued using the latest audited valuation from the Limited Partner/General Partner. This is adjusted for any capital calls/distributions that have taken place since the date of the statement. Unquoted investments for Private Placements and Infrastructure are priced using discounted cash flow methodology.

b. Foreign currency translation of assets and liabilities and forward foreign exchange contracts are converted into sterling at the closing middle rates of exchange in the Net Assets Statement. Overseas income is converted at rates of exchange ruling when remitted.

c. Acquisition costs of investments occur as brokerage commission when investments are purchased. They are recorded in the cost figure on an accrual basis.

d. Investment management expenses are recorded at cost when the fund managers/custodian invoice the fund on a quarterly basis or provide a fee schedule deducted at source. Expenses are recorded on an accrual basis. Where an investment manager's complete fee schedule has not been received by year end, an estimate based on the previous quarter's amount is included in the accounts. In 2021/22, no such fees are based on estimates (2020/21: £41k). The fund also agreed with the following fund managers that their fees include elements of performance, Adams Street Partners, AEW UK, Macquarie Infrastructure Partners and Permira LLP.

e. Administration expenses are paid when invoiced by third party providers through the administering authority's payment system and recharged to the Pension Fund.

f. Interest on property developments - property is held in unit trusts for the Pension Fund, the return received is calculated in accordance with the unit price at the Net Assets Statement date.

g. Contribution Income

Normal contributions are accounted for on accrual basis as follows:

- Employee contribution rates are set in accordance with LGPS regulations, using common percentage rates for all schemes, that rise according to pensionable pay.
- Employer contributions are set at a percentage rate recommended by the fund actuary for the period which they relate.

Employer deficit funding contributions are accounted for on the basis advised by the fund actuary in the rates and adjustment certificate issued to the relevant body.

Additional employers' contributions in respect of ill-health are accounted for as part of the tri-ennial valuation exercise and employers' contribution rates adjusted accordingly for relevant employers. Early retirement strain costs are accounted for on accrual basis.

Notes to the Pension Fund Account

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

Critical Judgements and Uncertainties

- l. Unquoted Alternative Investments - Fair values of alternative investments are highly subjective in nature. They are inherently based on forward-looking estimates and judgements involving many factors. Unquoted alternative investments are valued by investment managers using methods such as IFRS fair value principles, discounted cash flow method and guidelines set out by the International Private Equity and Venture Capital Association (IPEV), of which the British Venture Capital Association is a founding member. The value of alternative investments as of 31 March 2022 was £319,965k (£294,037k on 31 March 2021).
- m. Assumptions made about the future and other major sources of estimation uncertainty - The Pension Fund accounts contains estimated figures that are based on assumptions made by the Fund about the future or events that are otherwise uncertain. Estimates are made taking into account historical experience, current trends, and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

Notes to the Pension Fund Account

Items where there is a significant risk of material adjustment in the forthcoming financial year are as follows

Item	Uncertainties	Effect if actual results differ from assumptions
Private equity	Private equity investments are valued at fair value in accordance with British Venture Capital Association guidelines or commensurate overseas equivalent. These investments are not publicly listed and as such there is a degree of estimation involved in the valuation. The fair value principles employed to value the underlying investments and the valuation policy remains unchanged. Both managers continue to use the latest valuation available from underlying investment managers, adjusting for any known cash flows and take into account any known and measurable impact. It is important to note that given the evolving situation and the quarterly cycle of private equity valuations, additional data needs to be accessible before a more accurate estimate can be made with regard to potential effects of market events on net asset values.	The total private equity investments in the financial statements are £8,545k. There is a risk that this investment may be under or overstated in the accounts.
Item	Uncertainties	Effect if actual results differ from assumptions
Infrastructure - Macquarie Infrastructure Real Assets and LCV Stepstone	Infrastructure Valuation represents the fair value of investments held at 31 March 2022. The valuations have been completed by MIRA (Macquarie Infrastructure Real Assets) in accordance with ASC 820-10 (Fair Value Measurements), under which the fair value is determined to be the price that would be received upon sale of the investments in an orderly transaction between market participants. These investments are not publicly listed and as such there is a degree of estimation involved in the valuation.	The total infrastructure alternative investments in the financial statements are £43,208k. There is a risk that this investment may be under or overstated in the accounts. There are no openly traded market prices available for this asset category.
Item	Uncertainties	Effect if actual results differ from assumptions
Private Finance - M&G	Private Finance investments are valued at par as they are mostly floating rate notes tied to LIBOR. Final valuation is undertaken by the analysts employed by the fund manager as they are not traded on the open market.	The total private finance investments in the financial statements are £1,641k. There is a risk that this investment may be under or overstated in the accounts. There are no openly traded market prices available for this asset category.

Notes to the Pension Fund Account

Item	Uncertainties	Effect if actual results differ from assumption
<p>Direct Lending - Permira Credit Solutions & LCIV Private Debt</p>	<p>Private Debt Investments are valued on a quarterly basis and in accordance with International Private Equity and Venture Capital valuation guidelines. These investments are not publicly listed and as such there is a degree of estimation involved in the valuation.</p>	<p>The total Private Debt investments in the financial statement are £65,107k. There is a risk that this investment may be under or overstated in the accounts. There are no open traded market prices available for this asset category.</p>
Item	Uncertainties	Effect if actual results differ from assumption
<p>Pooled Property - LGIM LPI, AEW UK & UBS Property</p>	<p>Pooled property assets are valued independently for the respective managers with a lot of subjective and unobservable inputs that may be affected by prevalent socio-economic issues. The underlying assets do not have the luxury of an open market transactional data like Equities and does result in valuation varying by wide degrees. The Assets Value as at 31 March 2022 were not subject to any uncertainty clauses as the funds had fully recovered from the effects of COVID19.</p>	<p>The total Pooled property investments in the financial statement is £231,826k. There is a risk the investments may be over or under stated in the accounts. These asset classes are not openly traded and a lot of unobservable inputs are utilised in the valuation of the assets. The unobservable valuation assumptions may have a profound effect on the actual pricing at year end thus skewing the valuation the fund accounts.</p>
Item	Uncertainties	Effect if actual results differ from assumption
<p>Actuarial present value of promised retirement benefits</p>	<p>Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rates used, the rates at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on Pension Fund assets. A firm of actuaries, Hymans Robertson, are engaged to provide the fund with expert advice about the assumptions to be applied. The IAS19 balance sheet is based on financial market values and future market expectation indicators as at 31 March 2022 to comply with the accounting standard. The financial markets at the accounting date will have taken into account COVID19 risks (and opportunities) as one of many national and worldwide economic considerations. There has been no explicit additional allowance or adjustment made for COVID19 by Hymans Robertson.</p>	<p>The effects on the net pension liability of changes in individual assumptions can be measured. For instance an increase in the discount rate assumption would result in a decrease in pension liability. An increase in assumed earnings would increase the value of liabilities and an increase in assumed life expectancy would increase pension liability. This would not effect the Fund Account or Net Asset Statement, but would impact the Council Accounts. Below are the details of the sensitivity analysis to the method assumptions used for year ended 31 March 2022 by the fund's actuaries.</p>

Notes to the Pension Fund Account

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

Sensitivity Analysis

Sensitivity to the assumptions for the year ended 31 March 2022	Approximate % increase to liabilities	Approximate monetary amount (£m)
0.1% p.a increase in the Discount Rate	2%	37
1 year increase in member life expectancy	4%	79
0.1% p.a. increase in the Salary Increase Rate	0%	2
0.1% p.a. increase in the Pension Increase Rate (CPI)	2%	35

The principal demographic assumption is the longevity assumption. For sensitivity purposes, it is estimated that a 1-year increase in life expectancy would approximately increase the liabilities of the Pension Fund by around 3-5%.

4. CONTRIBUTIONS

By category	31 March 2022 £'000	31 March 2021 £'000
Employees	11,015	10,231
Employers Contributions:		
Normal	33,824	32,737
Deficit Funding	5,830	5,713
	50,669	48,681

Deficit Funding: At the actuarial valuation on 31 March 2019 the Fund was 87% funded, with the remaining 13% deficit to be recovered over a period of 20 years.

By authority	31 March 2022 £'000	31 March 2021 £'000
LB Hillingdon	35,181	34,759
Scheduled Bodies	14,889	13,528
Admitted Bodies	599	394
	50,669	48,681

5. TRANSFERS IN

	31 March 2022 £'000	31 March 2021 £'000
Individual transfers in from other schemes	4,297	4,803
	4,297	4,803

Notes to the Pension Fund Account

6. BENEFITS

	31 March 2022 £'000	31 March 2021 £'000
By category		
Pensions	(42,557)	(39,955)
Commutations and Lump Sum Retirement Benefits	(8,024)	(6,478)
Lump Sum Death Benefits	(1,448)	(778)
	(52,029)	(47,211)

	31 March 2022 £'000	31 March 2021 £'000
By authority		
LB Hillingdon	(47,038)	(43,708)
Scheduled Bodies	(4,439)	(3,177)
Admitted Bodies	(552)	(326)
	(52,029)	(47,211)

7. PAYMENTS TO AND ON ACCOUNT OF LEAVERS

	31 March 2022 £'000	31 March 2021 £'000
Refunds to members leaving service	(161)	(82)
Individual transfers out to other schemes	(4,887)	(3,459)
	(5,048)	(3,541)

8. MANAGEMENT EXPENSES

The administering authority incurred costs in managing the Fund for the period ending 31 March 2022 as follows:

	31 March 2022 £'000	31 March 2021 £'000
Administrative Costs	(1,385)	(963)
Investment Management Expenses	(9,222)	(9,548)
Oversight and Governance	(225)	(238)
	(10,832)	(10,749)

Notes to the Pension Fund Account

8A. INVESTMENT MANAGEMENT EXPENSES BREAKDOWN

2021/2022	£'000	£'000	£'000	£'000
	Total	Management Expenses	Performance Fees	Transaction Costs
Equities	0	0	0	0
Pooled Investments	(5,703)	(3,464)	(979)	(1,260)
Pooled Property Investments	(3,361)	(2,449)	(148)	(764)
Private Equity	(98)	(71)	(5)	(22)
	(9,162)	(5,984)	(1,132)	(2,046)
Custody Fees	(60)			
Total	(9,222)			

2020/2021	£'000	£'000	£'000	£'000
	Total	Management Expenses	Performance Fees	Transaction Costs
Equities	(94)	(88)	0	(6)
Pooled Investments	(5,971)	(2,827)	(1,242)	(1,902)
Pooled Property Investments	(2,323)	(1,307)	(104)	(912)
Private Equity	(1,099)	(241)	(797)	(61)
	(9,487)	(4,463)	(2,143)	(2,881)
Custody Fees	(61)			
Total	(9,548)			

8B. TRANSACTION COSTS ANALYSIS BY ASSET CLASS

	31 March 2022 £'000	31 March 2021 £'000
Equities	0	(6)
Pooled Investments	(1,260)	(1,902)
Pooled Property Investments	(764)	(912)
Private Equity	(22)	(61)
	(2,046)	(2,881)

8C. EXTERNAL AUDIT COSTS

	31 March 2022 £'000	31 March 2021 £'000
Payable in Respect of External Audit	(26)	(40)
	(26)	(40)

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

Notes to the Pension Fund Account

9. INVESTMENT INCOME

	31 March 2022 £'000	31 March 2021 £'000
Income from Equities	57	1,398
Pooled Property Investments	3,104	2,108
Pooled Investments- Unit trusts and other managed funds	8,546	10,061
Interest on cash deposits	42	18
Other (for example from stock lending or underwriting)	109	82
	11,858	13,667

10. INVESTMENTS

	31 March 2022 £'000	31 March 2021 £'000
Investment Assets		
Equities	29	42
Pooled investments	1,011,872	943,976
Pooled property investments	231,826	188,926
Private equity	8,545	13,369
Other Investment balances		
Cash deposits	11,821	15,166
Investment income due	107	89
Total investment assets	1,264,200	1,161,568
Investment liabilities		
Derivative contracts:		
Purchase Settlements Outstanding	0	0
Total investment liabilities	0	0
Net investment assets	1,264,200	1,161,568

Notes to the Pension Fund Account

10A. RECONCILIATION OF MOVEMENTS IN INVESTMENTS AND DERIVATIVES

2021/22	Value 1 April 2021 £'000	Purchases at cost £'000	Sales proceeds £'000	Profits and losses on disposal of investments and Changes in market value of investments £'000	Value 31 March 2022 £'000
Equities	42	0	0	(13)	29
Pooled Investments	943,976	422,330	(414,496)	60,062	1,011,872
Pooled Property Investments	188,926	12,294	(3,060)	33,666	231,826
Private Equity	13,369	122	(5,763)	817	8,545
	1,146,313	434,746	(423,319)	94,532	1,252,272
Other investment balances	1,146,313	434,746	(423,319)	94,532	1,252,272
Cash Deposits	15,166	0	0	0	11,821
Investment Income Due	89	0	0	0	107
Outstanding Sales	0	0	0	0	0
Adjustments to Market Value Changes	0	0	0	7,501	0
Total Investment Assets	1,161,568			102,033	1,264,200
2020/21	Value 1 April 2020 £'000	Purchases at cost £'000	Sales proceeds £'000	Profits and losses on disposal of investments and Changes in market value of investments £'000	Value 31 March 2021 £'000
Equities	84,471	3,657	(90,547)	2,461	42
Pooled Investments	706,512	216,071	(126,184)	147,577	943,976
Pooled Property Investments	165,448	14,970	(181)	8,689	188,926
Private Equity	13,614	11	(3,916)	3,660	13,369
	970,045	234,709	(220,827)	162,386	1,146,313
Other investment balances	970,045	234,709	(220,827)	162,386	1,146,313
Cash Deposits	15,520	0	0	0	15,166
Investment Income Due	502	0	0	0	89
Outstanding Sales	64	0	0	0	0
Adjustments to Market Value Changes	0	0	0	8,133	0
Total Investment Assets	986,131			170,519	1,161,568

Notes to the Pension Fund Account

10B. ANALYSIS OF INVESTMENTS

	31 March 2022 £'000	31 March 2021 £'000
Equities		
UK		
Quoted	29	42
	29	42
Pooled funds - additional analysis		
Fixed income unit trust	268,297	261,498
Diversified Growth Funds	54,528	50,833
Infrastructure Funds	43,208	34,327
Global Equity	577,640	537,065
Limited liability partnerships	68,176	60,253
	1,011,849	943,976
Other Investments		
Pooled property Investments	231,849	188,926
Private equity	8,545	13,369
	240,394	202,295
Cash deposits	11,821	15,166
Investment income due	107	89
Sales Settlements Outstanding	0	0
	11,928	15,255
Total investment assets	1,264,200	1,161,568
Investment liabilities		
Purchase Settlements Outstanding	0	0
Total investment liabilities	0	0
Net investment assets	1,264,200	1,161,568

10C. INVESTMENTS ANALYSED BY FUND MANAGER

Investment Assets and Liabilities by Fund Manager

Fund Manager	Market Value 31 March 2022 £'000	%	Market Value 31 March 2021 £'000	%
Investments Managed by London CIV Pool				
Legal & General Investment Management	729,696	58	668,045	58
London CIV Asset Pool	166,219	13	127,945	11
	895,915	71	795,990	69
Investments Managed Outside of London CIV Asset Pool				
Adams Street Partners	5,823	0	10,103	1
AEW UK	82,349	7	60,712	5
JP Morgan Asset Management	115,979	9	116,580	10
LGT Capital Partners	2,722	0	3,266	0
M&G Investments	1,641	0	1,248	0
Macquarie Infrastructure	17,853	1	20,862	2
Permira Credit Solutions	36,624	3	59,005	5
UBS Global Asset Management (Equities)	93	0	119	0
UBS Global Asset Management (Property)	93,954	7	78,990	7
Other*	11,247	1	14,693	1
	368,285	29	365,578	31
Total	1,264,200	100	1,161,568	100

* Other includes pending trades, accrued income and cash held in custody accounts, independent of fund managers not mandated to hold cash.

* No single holding within an investment represents more than 5% of total assets

Notes to the Pension Fund Account

10D. STOCK LENDING

The Fund's investment strategy sets the parameters for the Fund's stock-lending programme. At the year-end, the value of quoted equities on loan was £29k (31 March 2021: £29k). These equities continue to be recognised in the Fund's financial statements.

Counterparty risk is managed through holding collateral at the Fund's custodian bank. At the year-end the Fund held collateral (via the custodian) at fair value of £31k (31 March 2021: £30k) representing 106% of stock lent. Collateral consists of acceptable securities and government debt.

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

11. CURRENT ASSETS

	31 March 2022 £'000	31 March 2021 £'000
Debtors		
Employers' contributions due	374	63
Employees' contributions due	107	16
Other	83	0
Cash balances	2,375	4,244
	2,939	4,323

12. CURRENT LIABILITIES

	31 March 2022 £'000	31 March 2021 £'000
Creditors		
Other local authorities (LB Hillingdon)	(244)	(172)
Other entities	(780)	(517)
	(1,024)	(689)

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

13. ADDITIONAL VOLUNTARY CONTRIBUTIONS

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

According to information provided by Prudential, £106k was received in additional voluntary contributions by members, in 2021/22 (£154k 2020/21) and AVC Fund value was £4,997k (£5,175k 2020/21). Any transfer of additional contributions into the Fund during the year are included in the employee contributions value as detailed in note 4.

	Market Value 31 March 2022 £'000	Market Value 31 March 2021 £'000
Prudential Assurance Company	4,997	5,175
	4,997	5,175

Notes to the Pension Fund Account

14. FAIR VALUE - BASIS OF VALUATION

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

Description of asset	Valuation hierarchy	Basis of valuation	Observable and unobservable inputs	Key sensitivities affecting the valuations provided
Market quoted investments	Level 1	Published bid market price ruling on the final day of accounting period.	Not required	Not required
Quoted bonds	Level 1	Fixed interest securities are valued at market value based on current yields.	Not required	Not required
Pooled investments - overseas unit trusts and property funds	Level 2	Closing bid price where bid and offer prices are published. Closing single price where single price is published.	NAV-based pricing set on a forward pricing basis	Not required
Unquoted equity	Level 3	Comparable valuation of similar companies in accordance with International Private Equity and Venture Capital Valuation Guidelines (2012)	EBITDA multiple Revenue multiple Discount for lack of marketability Control premium	Valuations could be affected by material events occurring between the date of the financial statements provided and the pension fund's own reporting date, by changes to expected cashflows, and by any differences between audited and unaudited accounts.

Notes to the Pension Fund Account

Sensitivity of assets valued at level 3

Having analysed historical data and current market trends, and consulted with fund managers, the Fund has determined that the valuation methods described above are likely to be accurate to within the following ranges and has set out below the consequent potential impact on the closing value of investments held on 31 March 2022.

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

Sensitivity of assets valued at level 3

	Valuation range (+/-)	Market Value 31 March 2022 £'000	Value on Increase £'000	Value on Decrease £'000
Pooled investments - Limited Liability Partnerships (Infrastructure) a	10%	43,208	47,529	38,887
Pooled investments - Limited Liability Partnerships (Private Credit) b	10%	66,537	73,191	59,883
Pooled Property - UBS Property & AEW UREF	10%	48,912	53,803	44,021
Private Equity - d	5%	8,545	8,972	8,118
Venture Capital	5%	41	43	39
Total		167,243	183,538	150,948

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

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

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

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

14A. FAIR VALUE HIERARCHY

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

Level 1

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

Level 2

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

Level 3

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

Notes to the Pension Fund Account

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

Values as at 31 March 2022	Quoted Market Price	Using Observable Inputs	With Significant Unobservable Inputs	Total £'000
	Level 1 £'000	Level 2 £'000	Level 3 £'000	
Financial Assets at Fair Value through Profit and Loss				
Equities	29	0	0	29
Pooled Investments	0	900,423	111,427	1,011,850
Pooled Property Investments	0	182,936	48,912	231,848
Private Equity	0	0	8,545	8,545
	29	1,083,359	168,884	1,252,272
Financial Liabilities at Fair Value through Profit and Loss				
Total	29	1,083,359	168,884	1,252,272

Values as at 31 March 2021	Quoted Market Price	Using Observable Inputs	With Significant Unobservable Inputs	Total £'000
	Level 1 £'000	Level 2 £'000	Level 3 £'000	
Financial Assets at Fair Value through Profit and Loss				
Equities	42	0	0	42
Pooled Investments	0	849,355	94,621	943,976
Pooled Property Investments	0	0	188,926	188,926
Private Equity	0	0	13,369	13,369
	42	849,355	296,916	1,146,313
Financial Liabilities at Fair Value through Profit and Loss				
Total	42	849,355	296,916	1,146,313

14B. RESTATEMENT OF VALUATION HIERARCHIES

There were no restatements of valuations between hierarchies in 2021/22.

Notes to the Pension Fund Account

14C. RECONCILIATION OF FAIR VALUE MEASUREMENTS WITHIN LEVEL 3

Level 3 Assets Reconciliation

Fund Managers & Asset Categories	Value 1 April 2021	Transfers Out of Level 3	Purchases at cost	Sales proceeds	Unrealised gains/(losses)	Realised gains/(losses)	Value 31 March 2022
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Private Equity - Adams Street Partners, LGT Capital Partners & UBS	13,369	0	122	(5,763)	(840)	1,657	8,545
Private Finance - M&G	1,248	0	0	(333)	836	(110)	1,641
Infrastructure - Maquarie & LCV	34,327	0	9,704	(5,342)	(348)	4,867	43,208
Venture Capital - UBS	41	0	0	0	0	0	41
Property - UBS Property & AEW UREF	188,926	(157,426)	9,477	(65)	8,052	(52)	48,912
Direct Lending - Permira & LCV Private Debt	59,005	0	29,481	(20,563)	(1,448)	62	66,537
Total Level 3 Assets	296,916	(157,426)	48,784	(32,066)	6,252	6,424	168,884

There were transfers out of level 3 assets in 2021/22. Property Investments in UBS, AEW & LGIM were reclassified as Level 2 assets due to the removal of uncertainty clauses in the valuation of these assets for the year under consideration.

Notes to the Pension Fund Account

14D. LEVEL 3 PRICING HIERARCHY DISCLOSURES

Quantitative Information on Significant unobservable inputs

Private Equity: Adams Street & LGT capital

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

Private Finance: M&G

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

Infrastructure: Macquarie

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

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

Direct Lending: Permira

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

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

Pooled Property: AEW, UBS Property & LGIM LPI

Fair value is primarily derived using recent market transactions on arm's length terms, where available.

Description of Valuation Process

Private Equity

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

Private Finance: M&G

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

Direct Lending: Permira

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

Notes to the Pension Fund Account

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

Infrastructure: Macquarie

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

DCF-Based Market Valuation Process

Financial Model

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

Update for Economic, Operational and Financial Assumptions

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

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

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

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

Discount Rate

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

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

Pooled Property: AEW, UBS Property & LGIM LPI

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

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

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

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

Private Equity

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

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

Notes to the Pension Fund Account

Private Finance (M&G)

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

Infrastructure: Macquarie

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

Direct Lending: Permira

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

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

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

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

Pooled Property – AEW, UBS Property & LGIM LPI

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

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

15. CLASSIFICATION OF FINANCIAL INSTRUMENTS

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

	Designated as fair value through P&L	Assets at amortised cost	Financial Liabilities at Amortised Cost	Total	Designated as fair value through P&L	Assets at amortised cost	Financial Liabilities at Amortised Cost	Total
	31 March 2022 £'000	31 March 2022 £'000	31 March 2022 £'000	31 March 2022 £'000	31 March 2021 £'000	31 March 2021 £'000	31 March 2021 £'000	31 March 2021 £'000
Financial Assets								
Equities	29	0	0	29	42	0	0	42
Pooled Investments	1,010,420	0	0	1,010,420	943,976	0	0	943,976
Pooled property investments	231,848	0	0	231,848	188,926	0	0	188,926
Private Equity	8,545	0	0	8,545	13,369	0	0	13,369
Cash	0	11,821	0	11,821	0	15,166	0	15,166
Other Investment balances	0	107	0	107	0	89	0	89
	1,250,842	11,928	0	1,262,770	1,146,313	15,255	0	1,161,568
Financial Liabilities								
Purchase Settlements Outstanding	0	0	0	0	0	0	0	0
	0	0	0	0	0	0	0	0
Total	1,250,842	11,928	0	1,262,770	1,146,313	15,255	0	1,161,568

Notes to the Pension Fund Account

15A. NET GAINS AND LOSSES ON FINANCIAL INSTRUMENTS

	31 March 2022 £000's	31 March 2021 £000's
Financial Assets		
Designated at Fair Value through profit and loss	102,033	170,519
	102,033	170,519

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

Risk and Risk Management

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

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

Market risk

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

Other price risk

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

Other price risk - Sensitivity Analysis

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

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

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

Notes to the Pension Fund Account

Asset Type	Value as at 31 March 2022 £'000	Percentage Change %	Value on Increase £'000	Value on Decrease £'000
Global Equity	632,167	15.00%	726,992	537,342
UK Equity	29	15.00%	33	25
Bonds	268,297	6.60%	286,005	250,589
Alternatives	119,931	3.50%	124,129	115,733
Property	231,848	5.50%	244,600	219,096
Total	1,252,272		1,381,758	1,122,786

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

Asset Type	Value as at 31 March 2021 £'000	Percentage Change %	Value on Increase £'000	Value on Decrease £'000
Global Equity	587,857	14.80%	674,860	500,854
UK Equity	42	14.80%	48	36
Bonds	261,498	5.70%	276,403	246,593
Alternatives	107,990	4.20%	112,526	103,454
Property	188,926	5.00%	198,372	179,480
Total	1,146,313		1,262,209	1,030,417

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

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

The Fund's direct exposure to interest rate movements as of 31 March 2022 and 31 March 2021 is set out below. These disclosures present interest rate risk based on the underlying financial assets at fair value.

Interest Rate Risk Sensitivity Analysis

The Fund recognises that interest rates can vary and can affect both income to the Fund and the value of net assets available to pay benefits. A 120 basis points (1.2%) movement in interest rates is consistent with the level of sensitivity applied as part of the Fund's risk management strategy.

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

	Value as at 31 March 2022 £'000	Potential movement on 1% change in interest rates £'000	Value on increase £'000	Value on decrease £'000
Assets exposed to interest rate risks				
Cash balances	11,821	118	11,939	11,703
Bonds - pooled funds	268,297	2,683	270,980	265,614
Total change in assets available	280,118	2,801	282,919	277,317

	Value as at 31 March 2021 £'000	Potential movement on 1.2% change in interest rates £'000	Value on increase £'000	Value on decrease £'000
Assets exposed to interest rate risks				
Cash balances	15,166	182	15,348	14,984
Bonds - pooled funds	261,498	3,138	264,636	258,360
Total change in assets available	276,664	3,320	279,984	273,344

Notes to the Pension Fund Account

Currency Risk - The risk to which the pension fund is exposed to fluctuations in foreign currency exchange rates. The Pension Fund has the ability to set up a passive currency hedge where these risks are perceived to be adverse. As of 31 March 2022, the Fund had no currency hedge in place for those managers who do not hedge their own portfolios. The following table summarises the fund's currency exposure as of 31 March 2022 and as at the previous period ending 31 March 2021.

Currency exposure by asset type

Currency risk sensitivity analysis

Following analysis of historical data in consultation with PIRC Ltd, the Funds data provider, the Fund considers the likely volatility associated with foreign exchange rate movements to be 6.60%, based on the data provided by PIRC. A 6.60% fluctuation in the currency is considered reasonable based on PIRC's analysis of historical movements in month end exchange rates over a rolling twelve-month period. This analysis assumes that all variables, in particular interest rates, remain constant. Managers that hedge against currency risk are not included in this sensitivity analysis. A 6.60% strengthening/weakening of the pound against various currencies in which the Fund holds investments would increase/decrease the net assets available to pay benefits as follows:

Assets exposed to currency risk

	Asset Value 31 March 2022	Potential market movement	Value on increase	Value on decrease
	£'000	£'000	£'000	£'000
		5.30%		
Pooled Funds	521,174	27,622	548,796	493,552
Private Equity/Infrastructure	51,753	2,743	54,496	49,010
	572,927	30,365	603,292	542,562

Assets exposed to currency risk

	Asset Value 31 March 2021	Potential market movement	Value on increase	Value on decrease
	£'000	£'000	£'000	£'000
		6.60%		
Pooled Funds	473,377	31,243	504,620	442,134
Private Equity/Infrastructure	47,696	3,148	50,844	44,548
	521,073	34,391	555,464	486,682

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

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

The prime objective of the Pension Fund treasury management activity is the security of principal sums invested. As such it will take a prudent approach to organisations employed as the banker and deposit taker. The Pension Fund will ensure it has adequate but not excessive cash resources in order to meet its objectives. The bank accounts are held with NatWest Bank, which holds an S&P long-term credit rating of A. Deposits are placed in the AAf rated Northern Trust Money Market Fund which is ring fenced from the administering company. Credit ratings, market indicators and media coverage are monitored to ensure credit worthiness is maintained. The Fund's cash holding under its treasury management arrangements on 31 March 2022 was £14,196k (31 March 2021: £19,410k) and this was held with the following institutions:

Notes to the Pension Fund Account

Summary	Rating S&P	Balances as at 31 March 2022 £'000	Rating S&P	Balances as at 31 March 2021 £'000
Money market funds				
Northern Trust	AAAf S1+	11,821	AAAf S1+	15,366
Bank current accounts				
NatWest	A	2,375	A	4,044
Total		14,196		19,410

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

The Pension Fund holds a working cash balance in its own bank accounts with NatWest as well as Money Market Funds to which it has instant access to cover the payment of benefits and other lump sum payments (£2,375k). At an investment level the fund holds a large proportion of assets in instruments which can be liquidated at short notice, normally three working days. As of 31 March 2022, these assets totalled £900,424k, with a further £11,821k held in cash in the Custody accounts at Northern Trust.

Refinancing risk

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

17. FUNDING ARRANGEMENTS

In line with the Local Government Pension Scheme Regulations 2013, the Fund's actuary undertakes a revaluation every three years for the purpose of setting employer contribution rates for the forthcoming triennial period. The last valuation took place as of 31 March 2019 setting rates for the period April 2020 to March 2023. The next triennial valuation will take place as of 31 March 2022.

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

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

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

At the 2019 actuarial valuation, the Fund was assessed as 87% funded (75% at the March 2016 valuation). This corresponded to a deficit of £161m (2016 valuation: £269m) at that time. The slight improvement in funding position between 2016 and 2019 is mainly due to investment performance over the inter-valuation period. The liabilities have also increased due to a reduction in the future expected investment return, although this has partially been offset by lower-than-expected pay and benefit growth (both over the inter-valuation period and forecast to continue into the long term). A new actuarial valuation will be carried out based on assets and liabilities value as of 31 March 2022, with the results expected to be published later in the year.

Notes to the Pension Fund Account

Significant events

The figures in this report are based on our understanding of the benefit structure of the LGPS in England and Wales as of 31 March 2019. Details can be found at <http://www.lgpsregs.org/>.

Contribution rates

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

Primary Rate (%)	Secondary Rate (£)		
	2020/21	2021/22	2022/23
1 April 2020 - 31 March 2023			
20.20%	£5,313,000	£5,451,000	£5,592,000

The Primary rate above includes an allowance for administration expenses of 0.8% of pay. The employee average contribution rate is 6.5% of pay.

At the previous formal valuation on 31 March 2016, a different regulatory regime was in force. Therefore, a contribution rate that is directly comparable to the rates above is not provided.

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

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

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

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

Assumptions

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

Financial Assumptions

A summary of the financial assumptions underpinning the target funding basis and adopted during the assessment of the liabilities of the Fund as of 31 March 2019 (alongside those adopted at the previous valuation for comparison) are shown below.

Description	31 March 2019	31 March 2016
Funding Basis Discount Rate	4.0%	4.0%
Benefit Increases (CPI)	2.3%	2.1%
Salaries Increases	2.6%	2.6%

Notes to the Pension Fund Account

Demographic Assumptions

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

Description	31 March 2019	31 March 2016
Male		
Pensioners	22.1 years	22.6 years
Non- Pensioners	22.8 years	24.0 years
Female		
Pensioners	24.3 years	24.6 years
Non- Pensioners	25.5 years	26.5 years

Commutation assumptions

An allowance is included for future retirements to elect to take 65% of the maximum additional tax-free cash up to HMRC limits for pre-April 2008 service and 85% of the maximum tax-free cash for post-April 2008 service.

18. ACTUARIAL PRESENT VALUE OF PROMISED RETIREMENT BENEFITS

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

The IAS19 balance sheet is based on financial market values and future market expectation indicators as of 31 March 2022 to comply with the accounting standard. The financial markets at the accounting date will have considered COVID19 risks (and opportunities) as one of many national and worldwide economic considerations. There has been no explicit additional allowance or adjustment made for COVID19 by Hymans Robertson.

Description	31 March 2022 % per annum	31 March 2021 % per annum
Inflation /Pensions Increase Rate	3.2%	2.9%
Salary Increase Rate	3.5%	3.2%
Discount Rate	2.7%	2.0%

An IAS 19 valuation was carried out for the Fund as of 31 March 2022 by Hymans Robertson with the following results:

Description	31 March 2022 £m	31 March 2021 £m
Present Value of Promised Retirement Benefits	1,965	2,039
Active Members	787	770
Deferred Members	530	572
Pensioners	648	697

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

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

Notes to the Pension Fund Account

The promised retirement benefits on 31 March 2022 have been projected using a roll forward approximation from the latest formal funding valuation as of 31 March 2019. The above figures include both vested and non-vested benefits, although the latter is assumed to have a negligible value.

Note that the above figures on 31 March 2022 (and 31 March 2021) include an allowance for the “McCloud ruling”, i.e. an estimate of the potential increase in past service benefits arising from this case affecting public service pension schemes.

Net Liability

The table below shows the total net liability of the Fund as of 31 March 2022. The figures have been prepared by Hymans Robertson, the Fund's actuary, only for the purposes of providing the information required by IAS26. In particular, they are not relevant for calculations undertaken for funding purposes or for other statutory purposes under UK pension's legislation. In calculating the required numbers, the actuary adopted methods and assumptions that are consistent with IAS19.

Description	31 March 2022	31 March 2021
	£m	£m
Present Value of Promised Retirement Benefits	(1,965)	(2,039)
Fair Value of Scheme Assets (bid value)	1,261	1,162
Net Liability	(704)	(877)

19. Going Concern

The Pension Fund accounts, and Notes have been prepared on a going concern basis. The concept of a going concern assumes that an authority's functions and services will continue in operational existence for the foreseeable future. The provisions in the Code (Code of Practice on Local Authority Accounting in the United Kingdom 2021/22) in respect of going concern reporting requirements reflect the economic and statutory environment in which local authorities operate. These provisions confirm that, as authorities cannot be created or dissolved without statutory prescription, they must prepare their financial statements on a going concern basis of accounting.

The Fund's triennial valuation on 31 March 2019 reported a funding level of 87%. Currently, contributions and investment income are sufficient to fund benefits as they fall due without the need to liquidate investments. The Fund is currently operating with a cash flow surplus. If a need to obtain liquidity arises, approximately 72% of the Fund's assets are held in liquid investments. A recent review undertaken in response to the Covid-19 effects as of 31st March 2022 determined that there was no material risk to the Fund of employers defaulting on their contributions. LGPS regulations remain in force with no expectation that the scheme will be wound up or substantive changes made to it.

A cash flow forecast covering the period November 2022 to October 2023 has been produced to confirm the solvent position and outlook of the Pension Fund over the period stated above.

20. RELATED PARTY TRANSACTIONS

It is required under IAS 24 "Related Party Disclosures" that material transactions with related parties which are not disclosed elsewhere should be included in a note to the financial statements. The London Borough of Hillingdon is a related party to the Pension Fund. The revenue contributions the Council has made into the Pension Fund are set out in note 4 to the Pension Fund accounts. No senior officer or Pension Committee member had any interest with any related parties to the Pension Fund.

Governance

There is a member of the Pension Fund Committee who is a retired member of the Pension Fund, Cllr Tony Eginton (Reserve). Each member is required to declare their interest at each meeting.

Notes to the Pension Fund Account

Key Management Personnel

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

	31 March 2022 £'000	31 March 2021 £'000
Short term benefits	94	55
Post employment benefits	155	145
	249	200

NB: Increased Post-employment benefits figure for 2020-21 is attributable to reorganisation and addition of Deputy Director, Corporate Finance to the Pension Fund management structure.

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

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

21. BULK TRANSFER

There were no bulk transfers in 2021-22.

22. CONTINGENT LIABILITIES AND CONTRACTUAL COMMITMENTS

Outstanding capital commitments (investments) as of 31 March 2022 totalled £85,428k (£50,576k on 31 March 2021).

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

23. CONTINGENT ASSETS

Seven admitted body employers in the London Borough of Hillingdon Pension Fund hold insurance bonds to guard against the possibility of being unable to meet their pension obligations. These bonds are drawn in favour of the Pension Fund and payment will only be triggered in the event of employer default.

24. POST BALANCE SHEET EVENTS

Events taking place after the 31st of March 2022 are not reflected in the financial statements or notes, unless they are of such importance that non-disclosure would affect the ability of users to make proper evaluations and decisions. Where events taking place before this date provided information about conditions existing on 31 March 2022, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

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

H. ASSET POOLS (LCIV)

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

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

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

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

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

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

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

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

At the start of 2021/22 the London CIV had the following sub funds available for Hillingdon to invest.

Fund Name	Manager	Launch Date
Global Equities		
LCIV Global Alpha Growth Paris Aligned Fund	Baillie Gifford & Co	13-Apr-21
LCIV Global Alpha Growth Fund	Baillie Gifford & Co	11-Apr-16
LCIV Passive Equity Progressive Paris Aligned Fund	State Street Global Advisors Limited	01-Dec-21
LCIV LV Global Equity Fund	Longview Partners	17-Jul-17
LCIV NW Global Equity Fund	Newton Investment Management	22-May-17
LCIV RBC Sustainable Equity Fund	RBC Global Asset Management (UK) Limited	18-Apr-18
LCIV Sustainable Equity Exclusion Fund	RBC Global Asset Management (UK) Limited	11-Mar 2020
LCIV Global Equity Quality Fund	Morgan Stanley Investment Management	21-Aug-2020
Emerging Market Equities		
LCIV Emerging Market Equity Fund	J.P. Morgan Asset Management	11-Jan-18
Multi-Asset		
LCIV Diversified Growth Fund	Baillie Gifford & Co	15-Feb-16
LCIV NW Real Return Fund	Newton Investment Management	16-Dec-16
LCIV PY Global Total Return Fund	Pyrford International Limited	17-Jun-16
LCIV RF Absolute Return Fund	Ruffer LLP	21-Jun-16
Fixed Income		
LCIV Global Bond Fund	Pimco	30-Nov-18
LCIV Alternative Credit Fund	CQS	31-Jan-22
LCIV MAC Fund	London CIV	31-May-18
Infrastructure		
LCIV Infrastructure Fund	Stepstone Infrastructure and Real Assets	31-Oct-19
LCIV Renewable Infrastructure Fund	Blackrock, Stonepeak, Quinbrook and Foresight	30-Mar-21

Property		
LCIV Real Estate Long Income Fund	Aviva Investors	11-Jun-20
The London Fund	LPPI	16-Dec-20
Private Debt		
LCIV Private Debt Fund	Churchill and Pemberton	30-Mar-21

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

The Fund had total LCIV holdings of £796m on 31 March 2022, accounting for almost 68.5% of total assets of the Pension Fund. This was invested in Ruffer (Multi Asset) Epoch (Global Equity), Stepstone (Infrastructure) on the LCIV platform and LGIM Passive.

Pooled assets

Sub Fund	Value £'000 31/03/2021	Opening Proportion %	Value £'000 31/03/2022	Closing Proportion %
LCIV Global Alpha Growth Paris Aligned Fund (Formerly Epoch)	63,647	5.48	56,423	4.46
LCIV RF Absolute Return Fund	50,833	4.37	54,528	4.31
LCIV Stepstone Infrastructure Fund	13,465	1.16	25,355	2.01
LCIV Private Debt	0	0	29,914	2.37
LGIM Passive Equities	473,376	40.75	521,174	41.23
LGIM Passive Bonds	144,920	12.48	152,319	12.05
LGIM LPI Property	49,749	4.28	56,203	4.45
	795,990	68.52	895,916	70.88

Post pool reporting

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

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

LB Hillingdon Annual Pool Set up Costs Breakdown and Fee Savings

	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	Cumulative to date
Set Up Costs	£000s						
Development Charge	0	75	65	65	85	85	375
Annual Service Charge including establishment of pool	25	25	25	25	25	25	150
Share Capital Costs	150	0	0	0	0	0	150
Transition Costs	32	132	0	0	0	0	164
Fee Savings	-84	-167	-181	-115	-96	-150	-793
Net (Savings)/Cost Realised	-27	65	-91	-25	14	-40	-129

The figures in the table above represents the service and development costs charges levied on the fund as a member of the London CIV pool. Transition costs refer to costs incurred in transfer of assets currently managed directly by the London CIV and passive portfolios negotiated by the CIV with LGIM. Fee savings represents the current costs of investments managed within the pool and LGIM compared with pre-pooling charges based on current asset valuations.

As at the end of 2021/22 the fund shows a net savings overall from pooling, if share capital is further excluded as it is still a fund asset then the fund has made a significant saving. As fund manager fees of the sub funds Hillingdon invests currently, are lower than before pooling, over time, the fund should show a cumulative saving in the long term.

Ongoing Investment Management Fees

The table below shows the fees paid to managers alongside the combined returns of those managers and the net impact (i.e. considering both fees and performance) on the value of Fund assets.

	Asset Pool			Non-Asset Pool			Fund Total
	Direct	Indirect	Total	Direct	Indirect	Total	
	£'000	£'000s	£'000	£'000	£'000s	£'000	£'000
Management Fees							
Ad Valorem	20	1,734	1,754	4,230	0	4,230	5,984
Performance	0	627	627	505	0	505	1,132
Transaction Costs	0	346	346	1,582	0	1,582	1,928
Custody	0	8	8	60	0	60	68
Other	110	0	110	1,610	0	0	1,720
Total £'000	130	2,715	2,845	7,987	0	6,377	10,832

In response to the Scheme Advisory Board Transparency Code the Fund contacted all managers regardless of whether they have signed up to the Code and requested that they complete the Transparency Code template for 2021/22 and future years to allow more transparent reporting. London CIV Ltd, in selecting Managers for the pool, also set this as a requirement that Fund Managers, they select are signed up to the Transparency Code. Information from the completed templates were utilised to compile the overall Investment management costs for 2021/22.

Asset Allocation and Performance 2021/22

Asset Category	Openin g Value		Closing Value		Performanc e 1 Year	
					Gross	Net
	£'000	%	£'000	%	%	%
Asset Pool Managed Investments						
Active listed Equity	63,647	5	56,423	4	N/A	N/A
Passive listed Equity	473,377	41	521,174	41	10.4	10.4
Passive Listed Fixed Income	144,920	12	152,319	12	5.1	5.1
Multi-asset funds/diversified growth funds	50,833	4	54,528	4	7.3	7.3
Private Debt	0	0	29,914	2	N/A	N/A
Infrastructure	13,465	1	25,355	2	3.1	3.1
Passive LPI Property	49,749	4	56,203	4	13.0	13.0
Total	795,991	69	895,916	71		
Non-asset pool managed investments						
Active listed Equity	42	0	29	0	N/A	N/A
Active listed Fixed Income	116,580	10	115,979	9	-0.5	-0.5
Private Debt	1,248	0	1,641	0	74.9	74.9
Private Debt	59,005	5	36,624	3	4.8	4.8
Property	60,712	5	82,349	7	18.5	18.5
Property	78,463	7	93,315	7	26.6	26.6
Unlisted Equity	10,144	1	5,845	0	21.6	21.6
Unlisted Equity	3,266	0	2,722	0	15.6	15.6
Infrastructure	20,862	2	17,852	1	20.7	20.7
Cash	15,255	1	11,928	1	N/A	N/A
Total	365,577	31	368,284	29		

Savings

	2017/18	2018/19	2019/20	2020/21	2021/22
	£	£	£	£	£
Price Variance	167,422	181,063	113,505	96,045.54	150,643.40

The price variance in the table measures the extent to which fee rates have generated savings based on the year end value of the assets under management by holding the assets in a sub fund run by the pool. In each case for Hillingdon's pooled assets the fee rate is lower than the fee rate before pooling, this is in part due to a direct transfer of asset class and economies of scale achieved through the pool on negotiating power.

Where assets transfer into different classes this would result in a different fee structure that would not be comparable.

The increase in fee savings in 2021/22 compared to 2020/21 is mainly due to increased fund value of passively managed pooled funds over the period. The above savings do not consider additional charges serviced on the fund because of investment in the pool sub funds, which are direct costs of us investing in the pool, for example auditing, FCA regulation and depositary costs.

London Borough of Hillingdon Pension Fund

Investment Strategy Statement

April 2020

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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 7 of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 (the “Regulations”).

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

As set out in the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016, the Pensions Committee will review this ISS from time to time, and at least every three years. In the event of any significant change affecting any matter contained within this ISS, changes will be published within three months of the change occurring.

This ISS has been prepared by the Pensions Committee after taking advice from the Fund's investment advisor ISIO (formerly KPMG) and Clare Scott the independent advisor to the Fund, in accordance with the Regulations.

The Investment Strategy Statement required by Regulation 7 must include:

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

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

Consistent with the 2019 triennial revaluation of the Fund, the agreed investment aim is to generate, over time, a rate of return that is at least 4.0% 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
- Contribute towards 100% Funding level
- Stabilise employer contribution rates as far as possible
- Invest in a wide range of investments
- Pool assets
- Take proper advice
- Consider Environmental Social and Governance (ESG) factors when making all investment decisions.

The Committee has translated these objectives after taking proper advice, into suitable strategic asset allocation benchmarks for the Fund. These benchmarks are consistent with the Committee's views on the appropriate balance between maximising returns on investment and maintaining an appropriate level of risk over the long term as set out in the risk management policy of the fund.

3. Investment of money in a wide variety of investments

3.1 Asset allocation

Asset allocation of the Fund is determined by the administering authority acting on professional advice in the best long term interest of scheme beneficiaries, while looking to maintain overall target return. The Pensions Committee review asset allocation and performance against achieving the target return regularly at quarterly meetings. A full formal review will be undertaken every three years following publication of the triennial revaluation results.

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 current asset allocation includes seven asset classes that combine to form the policy portfolio. Each asset class is selected to have different exposures to economic factors (GDP growth and inflation); to combine different geographies; and

span different currencies. In assessing suitability, the Pension Committee considered the respective return drivers, exposure to economic growth and sensitivity to inflation – each an important consideration, relative to the sensitivities of the Fund’s liabilities and managing risk.

These seven asset classes are the building blocks used to create the policy portfolio. The Pension Committee determined benchmark weights to each asset class which it believes to be best suited to meeting the long term objectives of the Fund. Committee also identified tolerance ranges within which shorter term variations would be tolerated and/or actively pursued due to a combination of relative returns and investment opportunity.

The agreed benchmark weight and tolerances are shown in the table below. The weights will be maintained within the ranges if the scheme can find attractive opportunities that meet its return, risk, and cash flow requirements. In the absence of opportunities, investments will not be “forced” and the fund will be under or over allocated to any asset class.

Asset Class	Target Allocation*	Range
Equities	45.00%	35%-60%
Private Equity	1.00%	0%-3%
Government Bonds	12.00%	0%-20%
Private Credit	5.00%	0%-15%
Property	17.00%	0%-25%
Infrastructure	8.00%	0%-15%
Diversified Credit	12.00%	0%-25%

* Target allocation reflects agreed changes to asset allocation at Pensions Committee of January 2020

Each asset class has its own specific investment objective and within each asset class there are further diversification controls. The mandates are managed by various Fund managers and the London Collective Investment Vehicle (LCIV), to whom the Fund has delegated investment management and implementation duties in line with LGPS asset pooling.

Equities: Global

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

Bonds & Diversified Credit

The Fund invests in inflation-linked government and diversified credit to improve the resilience of the portfolio. Exposure includes index linked securities issued by the UK Government, given their similarities within the Scheme's liabilities. To enhance yield, the Fund may place investments in credit securities issued by UK and global companies. This asset class is managed through both passive and active mandates. When active management is selected the manager will aim to maximise risk adjusted returns across a full market cycle.

Private Equity

The Fund is invested in Private Equity with the objective to outperform the MSCI World benchmark. Private Equity is an illiquid asset class; harvesting illiquidity premia is an attractive means of enhancing aggregate returns. The Fund aims to hold Private Equity until maturity.

Infrastructure

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

Private Credit

The Fund invests in Private credit to seek income and benefit from the long term nature of the Fund. The existing allocation seeks to generate value from direct lending via the secondary market and also exploit specific opportunistic investments. This allocation is directly invested in pooled Funds and provides a contractual income to the fund.

Property

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

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

The Fund is committed to pooling of assets and the London Borough of Hillingdon as Administering Authority of the London Borough of Hillingdon Pension Fund formally agreed to join the London Collective Investment Vehicle (LCIV) on 25 February 2016 and were on-boarded on 1 March 2016. Through the LCIV the Fund will benefit from economies of scale, by pooling assets with other Funds, enabling the LCIV to negotiate lower investment and implementation fees across the board on various asset classes.

4.1 London CIV

The London CIV was formed as a voluntary collaborative venture by the 33 London

Boroughs in 2014 to pool their LGPS investments. It received regulatory authorisation from the Financial Conduct Authority in November 2015 and launched its first sub Fund in December 2015. The London CIV has been established as a collective investment vehicle for LGPS Funds. The current regulatory permissions allow for operation as an Authorised Contractual Scheme (ACS) Fund. The London CIV was created in line with the government directive aimed at reducing investment costs across the board for all LGPS Funds pooling assets of 89 administering authorities into 6 "wealth Funds".

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

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

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

4.2 Pool Governance

The legal ownership of assets held within the LCIV is with the depository which is currently Northern Trust, with the beneficial ownership of the assets remaining with the Fund; the LCIV is the Fund manager.

The governance structure of the LCIV has been designed to ensure that there are both formal and informal routes to engage with the investing Funds both as shareholders and investors, making the LCIV accountable at both levels. Governance is achieved through the Shareholder Committee, comprising nominated Member representatives from investing Funds within the pool; including the Chairman of the London Borough of Hillingdon Pensions Committee, Councillor Goddard.

At a company level for London CIV the Board of Directors is responsible for decision making, which includes the decisions to appoint and remove investment managers. The share structure of London CIV involves each member body being shareholders who all retain equal shares in the ownership and voting making the company accountable to its shareholders. In addition the Company has a highly respected Non-Executive Board, meeting the requirements for strong governance arrangements to be in place.

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

4.3 Investment implementation

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

4.4 Investment Governance

The Pensions Committee sets the objectives, risk tolerances and sets the required rate of return in conjunction with the scheme's actuary. Once the parameters are established, the Committee determine the strategic asset allocation that it believes has the highest probability of succeeding, taking into account proper advice from the Fund's investment advisors.

The Pensions Committee meet quarterly to discuss investment decisions and review Fund performance, in addition to receiving a training discussion item at each meeting to ensure effective governance of the Fund investments.

In April 2015, a Local Pensions Board was created to ensure further governance over the administration of the Fund and decision making processes. The Local Pensions Board reviews compliance and Pensions Committee decisions to ensure the Fund complies with the code of practice on the governance and administration as issued by the Pension Regulator.

4.5 Performance Measurement

The Pension Committee reviews the performance of the investment managers and assets on a quarterly basis discussing performance, market conditions and asset allocation and making appropriate decisions where necessary. They review the report from Northern Trust, the Fund's custodian who provides an independent monitoring service and reports from officers and advisors on performance review meetings with Fund Managers. In addition, the performance of the pooling arrangements is monitored via regular reporting and updates from the London CIV.

6. 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 <https://archive.hillingdon.gov.uk/article/6492/Pension-fund>

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

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

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

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

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

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

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

The Pensions Committee analyse the level of risk and the drivers of risk and monitor and review the investment strategy and investment performance on an ongoing basis and take mitigating action where required. This may include rebalancing the allocation of assets when set benchmark weighting of asset classes exceeds

tolerance thresholds

The Committee has established a strategic asset allocation benchmark for the Fund. They assess risk relative to that benchmark by monitoring the asset allocation and investment returns relative to the benchmark. 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 Funds investments deviating greatly from the intended approach by adopting a specific asset allocation benchmark and by monitoring the underlying asset class weights relative to this benchmark on a regular basis.

The investment strategy is suitable diversified, with the balance of different asset classes and investment managers mitigating the impact at an aggregate level of underperformance of an individual manager. Diversification is a very important risk management tool. The scheme seeks to maintain a diversified exposure via a wide range of asset classes, geographies, and currencies.

7. How social, environmental or corporate governance considerations are taken into account in the selection, non-selection, retention and realisation of investments

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

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

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

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

The Fund has prepared a Responsible Investment policy which outlines its approach ESG and can be found at <https://archive.hillingdon.gov.uk/article/6492/Pension-fund>

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

The Fund through its participation in the London CIV will work closely with other LGPS Funds in London to enhance the level of engagement both with external managers and the underlying companies in which invests. The Fund's investments through the London CIV are covered by the voting policy as agreed by the Pensions Sectoral Joint Committee 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 partnership to magnify the voice and maximise the influence of investors as owners. The Fund expects its investment managers to work collaboratively with others if this will lead to greater influence and deliver improved outcomes for shareholders and more broadly. The Fund appreciates that to gain the attention of companies in addressing governance concerns; it needs to join with other investors sharing similar concerns. To ensure effective and consistent use of the voting rights, investment managers are tasked with exercising the voting rights accruing to the Fund. If important issues impacting local residents do emanate from actions of invested companies, the Pensions Committee will contact investment managers in charge of assets of such a company to make their opinion known and ask for such to be presented at meetings with the company or reflected in their voting pattern.

Going forwards, the Fund will incorporate a report of voting activity as part of its Pension Fund Annual report which is published on the Council's website. The Fund complies with the UK Stewardship Code and a statement of compliance which explains the arrangements which support its commitment to each of the principles is also published on the website.

9. COVID-19 Review of Investment Strategy

As a result of the COVID-19 pandemic and resulting market stress displayed during February and March the Fund commissioned an in depth review of the Investment Strategy Statement (ISS) and strategy amendments agreed in January 2020 to ascertain whether revised strategy remained appropriate in the current investment climate and still met the needs of the Fund over the longer term. Furthermore the review highlighted potential opportunities which the Fund might consider.

The assessment concluded that the existing strategic asset allocation provided defensive qualities and sheltered the Fund from the more severe outcomes during this stress period. Particularly the lower equity exposure compared with other LGPS, the allocation to asset classes with a contractual and more certain return profile and the strong overall asset class diversification.

It was also confirmed that no adjustments were required to the ISS revisions agreed In January 2020 and still remain relevant and should be implemented.

Opportunities were also highlighted and the Fund is appropriately structured to execute these where applicable.

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

COMMUNICATION STRATEGY

Date approved: 28 September 2021

Date of renewal: September 2024

COMMUNICATION STRATEGY

Introduction and Background

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

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

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

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

Implementation

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

This Strategy will be effective from 28 September 2021 and the performance indicators mentioned herein will demonstrate ongoing progress towards the Strategy's aims and objectives.

Regulatory Basis

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

Statements of policy concerning communications with members and Scheme employers

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

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

(2) In particular the statement must set out its policy on —

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

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

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

Our Aims and Objectives

Mission Statement

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

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

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

Communication Aims and Objectives

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

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

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

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

Delivery of Communications

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

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

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

How we Communicate

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

With whom we will Communicate

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

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

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

Diversity of Communication

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

Methods of Communication

a) With Scheme Members and Prospective Scheme Members

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

Member Portal

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

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

Website

All members have access to the Fund's website

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

Annual Benefit Statements

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

Correspondence

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

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

We can also communicate with members in a specific way on request, for example in large print or Braille.

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

Benefit statements

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

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

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

Pension saving statements

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

Pensioner payslips, P60s and annual newsletter

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

A pensioner newsletter is added to the Member Portal every year in March or April. An expanded version of the newsletter can be viewed on our website.

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

Declaration of pension entitlement

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

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

Telephone and email

All members have the opportunity to telephone or email the London Borough of Hillingdon Pension Fund / Hampshire Pension Services (as appropriate) for information in addition to the other lines of communication open to them.

Literature

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

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

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

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

Pensions Taxation Correspondence

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

Annual Report

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

b) With Employers

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

Website

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

Newsletters

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

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

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

Employer training

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

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

Employer meetings

We hold employer liaison meetings throughout the year with key employers or those where additional support is required. All employers may request a meeting with us.

We also hold six-monthly meetings with employer focus groups and will attend established employer forums.

Administration Strategy

Introduced in April 2016, the administration strategy provides an overview of how the administering authority and employers will work together to achieve a high quality service. It is available on the Fund's website.

c) With Pension Committee and Pension Board members:

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

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

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

d) With Fund Staff:

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

Pension Manager

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

Team Meetings

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

Intranet

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

E-mail

All staff have access to the e-mail facility.

Internet

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

Induction and training

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

Appraisal and Assessment

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

e) Communicating with other bodies:

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

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

Scheme Advisory Board

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

The Pensions Regulator

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

Trade Unions

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

Employer Representatives

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

Pension Fund Investment Managers, Advisers and Actuaries

We have regular meetings with;

- the Fund Managers who invest funds on behalf of the Fund
- Investment Advisers who provide help and advice on the asset allocation and investments of the Fund
- the Fund Actuary to discuss funding levels, employer contributions and valuation of the assets and liabilities of the Fund

Pension Fund Custodian

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

AVC Provider

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

Pensions and Lifetime Savings Association (PLSA)

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

Regional Forums

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

Requests for Information (FOI)

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

Consultations

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

Key Risks

The key risks to the delivery of this Strategy are outlined below. The London Borough of Hillingdon's Lead Pensions Officer will work together with the Lead Pensions Officer at Hampshire and with the Pension Committee and Pension Board in monitoring these and other key risks and considering how to respond to them.

- Lack or reduction of skilled resources due to difficulty retaining and recruiting staff members and also staff absence due to sickness
- Significant increase in the number of employing bodies causes strain on day to day delivery
- Significant external factors, such as national change, impacting on workload
- Issues in production of annual benefits statements, e.g. wrong address and printing errors due to external supplier
- Issuing incorrect or inaccurate communications
- Failure to maintain employer database leading to information not being sent to correct person
- Lack of clear communication to employers, scheme members and pensioners
- The ongoing impact of COVID 19 on all resources members, employers and other stakeholders.

Preparation and Review

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

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

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

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

Further Information

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

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

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

M: EXTERNAL AUDIT OPINION

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

Opinion

DRAFT

GLOSSARY

Active Management

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

Actuary

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

Actuarial Valuation

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

Additional Voluntary Contribution (AVC)

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

Administering Authority

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

Admitted Bodies

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

Asset Allocation

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

Asset Liability Modelling

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

Benchmark

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

Bond

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

Book cost

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

Broker

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

CARE

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

Commission

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

Corporate Bond

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

Corporate Governance

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

Coupon

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

Creditors

Amounts owed by the pension fund.

Custody

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

Debtors

Amounts owed to the pension fund.

Defined Benefit

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

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

Derivative

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

Diversification

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

Dividend

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

Dividend Yield

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

Emerging Markets

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

Equity

Stock or any other security representing an ownership interest.

Ex-dividend

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

Final Salary Scheme

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

Fixed interest

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

FTSE All-Share

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

Funding Level

A comparison of a scheme's assets and liabilities.

Futures Contract

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

Gilts

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

Hedge

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

Index Linked

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

Liability Profile

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

LGPS

Local Government Pension Scheme

LSE

London Stock Exchange

Mandate

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

Market Value

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

Option

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

Passive Management

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

Pension Fund

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

Private Equity

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

Property Unit Trusts

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

Quantitative Easing (QE)

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

Resolution Bodies

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

Return

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

Risk

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

Scheme Employers

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

Security

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

Socially Responsible Investment (SRI)

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

Specialist Manager

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

Stock

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

Stock Selection

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

The Fund

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

Tracking Error

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

Transaction Costs

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

Transfer Value

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

Transition

To move from one set of investment managers to another

Underwriting

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

Unit Trust

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

Unlisted Security

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

Unrealised Gains/ (losses)

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

Yield

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