

London Borough of Hillingdon Pension Fund

Funding update report at 30 September 2025

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

The purpose of this report is to provide the funding position of the London Borough of Hillingdon Pension Fund as at 30 September 2025 and show how it has changed since the previous valuation at 31 March 2022. This report has not been prepared for use for any other purpose and should not be so used. The report should not be disclosed to any third party except as required by law or regulatory obligation or with our prior written consent. Hymans Robertson LLP accept no liability where the report is used by or disclosed to a third party unless such liability has been expressly accepted in writing. Where permitted, the report may only be released or otherwise disclosed in a complete form which fully discloses the advice and the basis on which it is given.

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

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

Surplus/(deficit)

£0.48bn

+£0.65bn vs last valuation

Funding level

146%

+58% vs last valuation

Required return

4.4%

-0.5% vs last valuation

Return likelihood

92%

+32% vs last valuation

Results

Funding position update

The table on this page shows the estimated funding position at 30 September 2025 on the Fund's Ongoing basis (as defined in the Fund's FSS). The table also shows what future investment return would be required for the Fund to be 100% funded, along with the likelihood of the investment strategy achieving this return. The equivalent results at 31 March 2022 on the Ongoing basis are shown for comparison. An increase in the likelihood corresponds to an improvement in the funding position (and vice versa).

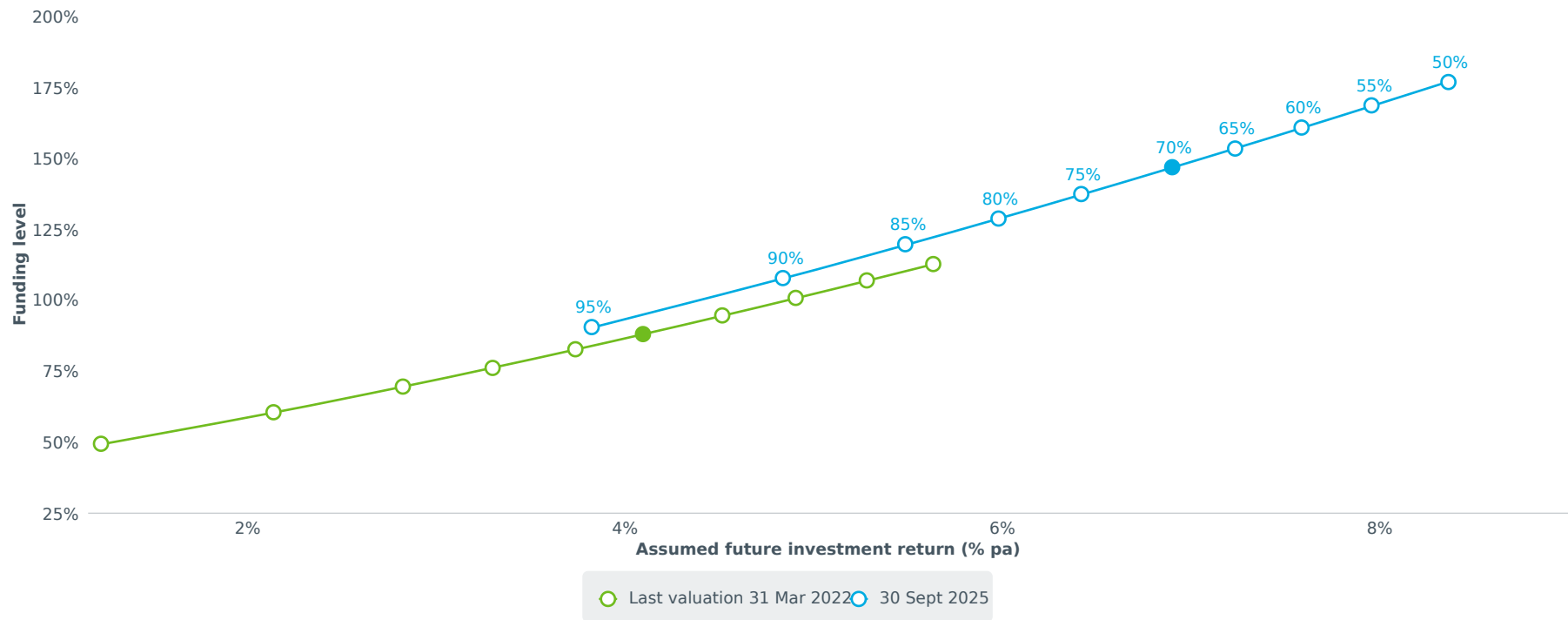
Please note that the asset value at 30 September 2025 shown in this report may differ to the actual asset value at that date. The asset value in this report is an estimate based on a rollforward from 31 March 2022 using estimated cashflows (see section A2) and estimated investment returns (see section A3). This approach ensures the asset value is consistent with the liabilities and gives a more reliable estimate of the funding position than if the actual asset value was used.

Monetary amounts in £bn		Ongoing basis	
		31 March 2022	30 September 2025
	Assets	1.26	1.52
	Active members	0.39	0.32
	Deferred pensioners	0.37	0.23
Liabilities	Pensioners	0.67	0.48
	Total liabilities	1.43	1.04
	Surplus/(deficit)	(0.17)	0.48
	Funding level	88%	146%
	Required return (% pa)*	4.9%	4.4%
	Likelihood of achieving this return	60%	92%

* Future investment return for funding level to be 100%

Understanding the funding level

To help better understand the funding level, the chart below shows how the funding level varies with the assumed rate of future investment returns at 31 March 2022 and 30 September 2025. The percentages next to each point on the lines show the likelihood of the investment strategy achieving that return at the respective date (for further details see section A5). The solid-coloured point indicates the funding level on the Fund's chosen assumptions.



Funding level progression

The chart below shows how the funding level has progressed between 31 March 2022 and 30 September 2025. It allows for changes in market conditions and other factors described in Appendix B.



Next steps

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

The results at 30 September 2025 in this report are estimates based on rolling forward the fund's funding position from 31 March 2022. You should understand the methodology and limitations of this approach described in Appendices B and C, and that factors such as changes to the investment strategy and membership profile may not be fully reflected in the results. No decisions should be made solely on the results in this report.

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

Appendix A - Data and assumptions

A.1 Membership data

The membership data underlying the figures in this report was supplied by the fund for the purpose of the valuation at 31 March 2022 and is summarised below:

31 March 2022	Number	Avg. age	Accrued benefit (£k pa)	Payroll (£k pa)
Active members	8,691	53.2	23,167	152,450
Deferred pensioners	12,903	53.1	20,151	
Pensioners and dependants	7,675	69.6	42,417	

Average ages are weighted by liability.

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

A.2 Cashflows since the valuation at 31 March 2022

We have allowed for the following cashflows in estimating the assets and liabilities at 30 September 2025.

Estimated cashflows (£k)	31 March 2022 to 30 September 2025
Employer contributions	153,320
Employee contributions	38,185
Benefits paid	189,098

Cashflows are assumed to be paid daily. Contributions are based on the estimated payroll, certified employer contributions (including any lump sum contributions) and the average employee contribution rate at 31 March 2022. Benefits paid are projections based on the membership at 31 March 2022.

A.3 Investment returns since the valuation at 31 March 2022

Investment strategy	Actual/index	From	To	Return
Whole fund	Actual	1 April 2022	30 September 2025	20.28%

The total investment return for the whole period is 20.28%.

A.4 Financial assumptions

Assumption	31 March 2022	30 September 2025
Funding basis	Ongoing	Ongoing
Discount rate (% pa)	4.1%	6.9%
Pension increases (% pa)	2.7%	2.1%

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

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

A.5 Demographic assumptions

Life expectancy (years)	Ongoing basis	
	Male	Female
Pensioners	22.3	24.8
Non-pensioners	23.0	26.1

Life expectancies are from age 65 and are based on the Fund's membership data at 31 March 2022. Non-pensioners are assumed to be aged 45 at that date. All other demographic assumptions are the same as at the most recent valuation at 31 March 2022.

Appendix B - Technical information

B.1 Funding update methodology

The last formal valuation of the fund was carried out as at 31 March 2022. The results in this report are based on rolling forward the results of the last formal valuation to 30 September 2025 using approximate methods. The roll-forward allows for:

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

The CARE, deferred and pensioner liabilities at 30 September 2025 include a total adjustment of 10.3% to reflect the difference between actual September CPI inflation values (up to 30 September 2024) and the assumption made at 31 March 2022. The adjustment for each year's actual inflation is applied from 31 October 2024 that year, cumulative with prior years' adjustments, which may lead to step changes in the funding level progression chart.

In preparing the updated funding position at 30 September 2025, the membership is assumed to have changed since 31 March 2022 in line with the demographic assumptions described in the Fund's FSS. No allowance has been made for any other changes. The principal reason for this is that insufficient information is available to make any such adjustment. Significant membership movements, or any material difference between estimated inputs and actual experience, may affect the reliability of the results. The Fund should consider whether any such factors mean that the roll forward approach may not be appropriate.

No allowance has been made for any early retirements or bulk transfers since 31 March 2022. There is also no allowance for any changes to Local Government Pension Scheme (LGPS) benefits except where noted in the formal valuation report or Funding Strategy Statement.

Where the Fund has moved to a different funding basis since 31 March 2022 this may give rise to step changes in the funding level on the date of the change.

B.2 Sensitivity of results to assumptions

The results are particularly sensitive to the real discount rate assumption (the discount rate net of pension increases) and the assumptions made for future longevity.

If the real discount rate used to value the accrued liabilities was lower then the value placed on those liabilities would increase. For example, if the real discount rate at 30 September 2025 was 1.0% pa lower then the liabilities on the Ongoing basis at that date would increase by 16.6%.

In addition, the results are sensitive to unexpected changes in the rate of future longevity improvements. If life expectancies improve at a faster rate than allowed for in the assumptions then, again, a higher value would be placed on the liabilities. An increase in life expectancy of 1 year would increase the accrued liabilities by around 3-5%.

Appendix C - Reliances and limitations

The report should not be disclosed to any third party except as required by law or regulatory obligation or with our prior written consent. Hymans Robertson LLP accept no liability where the report is used by or disclosed to a third party unless such liability has been expressly accepted in writing. Where permitted, the report may only be released or otherwise disclosed in a complete form which fully discloses the advice and the basis on which it is given.

The last formal valuation of the fund was carried out as at 31 March 2022 and this report relies upon the results of that valuation. The reliances and limitations that applied to that valuation apply equally to these results. The results of the valuation have been projected forward using approximate methods. The margin of error in these approximate methods increases as time goes by. The method may not be appropriate if there have been significant data changes since the previous formal valuation (for example redundancy exercises, significant unreduced early retirements, ill health retirements and bulk transfers). The methodology assumes that actual experience since the valuation at 31 March 2022 has been in line with assumptions.

The data used in this exercise is summarised in section 3. Data provided for the purposes of the formal valuation at 31 March 2022 was checked at the time for reasonableness and consistency with other sources. Data provided since then (eg actual investment returns) has been used as-is.

The data is the responsibility of the Administering Authority and the results rely on the data.

The results in this schedule are based on calculations run on 23 October 2025 using the data set out in section 3. Any other factors coming to light after this report was prepared have not been allowed for and could affect the results. If any data has materially changed since 23 October 2025 the results could be materially different if they were recalculated.

Some financial assumptions may be based on projections from our Economic Scenario Service (ESS) model which is only calibrated at each month-end. Results between month ends use the latest available calibration, adjusted in line with the movement in market conditions. This adjustment is approximate and there may be step changes at month-end dates when a new ESS monthly calibration is factored in.

The methodology underlying these calculations mean that the results should be treated as indicative only. The nature of the fund's investments means that the surplus or deficit identified in this report can vary significantly over short periods of time. This means that the results set out should not be taken as being applicable at any date other than the date shown.

During periods of high market volatility, actual asset returns may differ more significantly from the market index returns we use to estimate them from day to day. This means that estimated asset values will be less reliable in such periods, particularly at dates not coinciding with periods of known returns. If you want to make a decision based on your current funding position, we strongly recommend you get an up to date valuation from your asset manager and speak to your Hymans Robertson LLP consultant.

As with all modelling, the results are dependent on the model itself, the calibration of the underlying model and the various approximations and estimations used. These processes involve an element of subjectivity and may be material depending on the context. No inferences should be drawn from these results other than those confirmed separately in writing by a consultant of Hymans Robertson LLP.

Decisions should not be based solely on these results and your Hymans Robertson LLP consultant should be contacted to discuss any appropriate action before any is taken. Hymans Robertson LLP accepts no liability if any decisions are based solely on these results or if any action is taken based solely on such results.

Data used directly or indirectly in the preparation of these results may have been sourced from third parties, including Bloomberg and iBoxx (IHS Markit).

This report complies with the relevant Technical Actuarial Standards.

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