HYMANS ROBERTSON

London Borough of Hillingdon Pension Fund

Report on the actuarial valuation as at 31 March 2025

March 2026

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For and on behalf of Hymans Robertson LLP

Contents

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Executive summary

1. Executive summary

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

Contribution rates

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

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

Table 1: Combined employer contribution rates compared with previous valuation

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

Funding position

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

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

Table 2: Reported funding position compared with previous valuation

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

Comparison with other LGPS funds

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

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Valuation approach

2. Valuation approach

2.1 Valuation purpose

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

This report contains the valuation's two key outcomes:

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

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

2.2 Setting employer contribution rates

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

Key funding decisions

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

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

Risk-based approach

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

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

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

2.3 Measuring the funding position

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

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

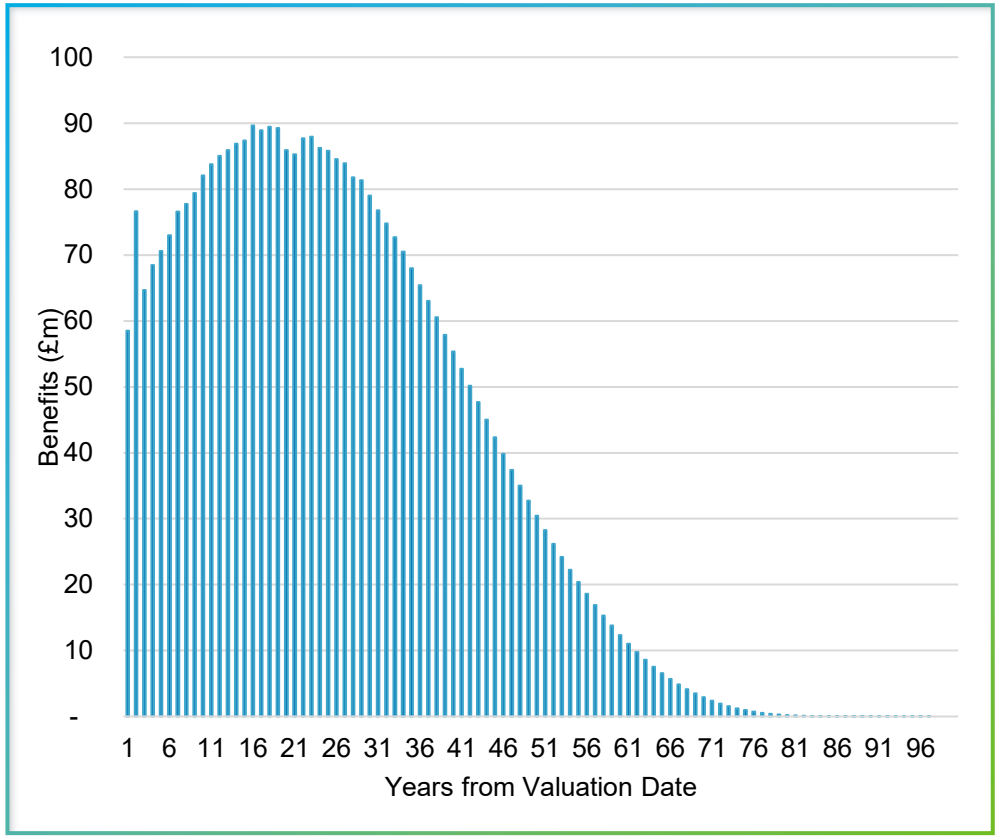
Calculating the liabilities

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

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

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

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



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

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Valuation results

3. Valuation results

3.1 Employer contribution rates

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

The employer contribution rate is made up of two components:

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

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

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

Table 3: Combined employer contribution rates compared with previous valuation

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

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

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

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

3.2 Funding position as at 31 March 2025

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

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

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

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

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

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

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

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

3.3 Other funding metrics

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

Changes since the last valuation – funding position

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

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

Chart 2 details these factors and their magnitude.

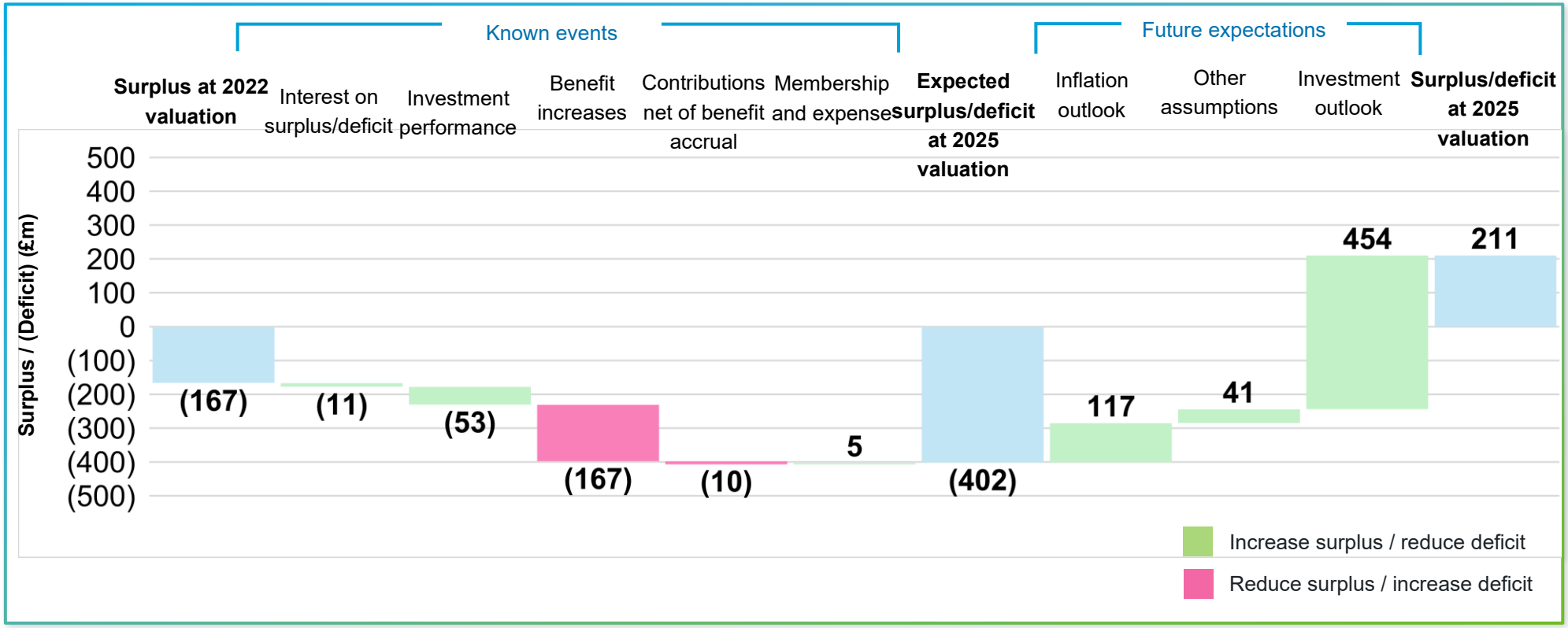

Chart 2: Change in funding position since last valuation

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Risks and sensitivities

4. Risks and sensitivities

4.1 Background

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

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

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

4.2 Economic risks

Impact of known events

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

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

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

Table 5: Impact of known economic events since 2022

Impact of changes in future outcomes

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

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

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

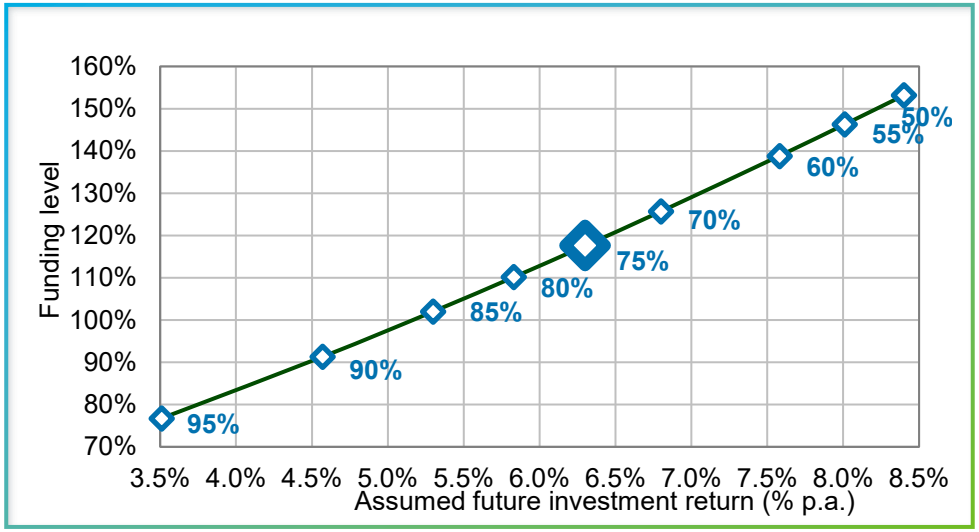


Chart 3: Impact of future return assumption on funding level

Prudence within assumptions

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

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

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

* Prudence levels are set out in the Fund's Funding Strategy Statement and the governance audit trail of these key decisions is documented in Appendix 3.

4.3 Demographic risks

Impact of known events

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

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

Table 6: Impact of member mortality experience since 2022

Impact of changes in future outcomes

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

4.4 Other risks

Regulatory

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

Climate change

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

Post-valuation events

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

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

Final comments

5. Final comments

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

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

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

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

March 26

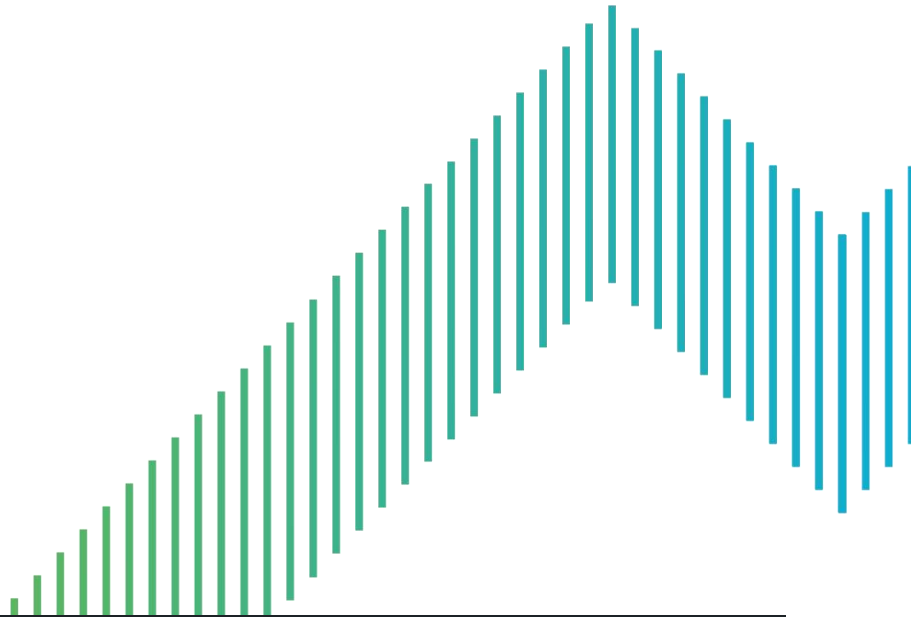
For and on behalf of Hymans Robertson

Craig Alexander FFA C.Act

Appendices

London Borough of Hillingdon Pension Fund

Appendices



Appendix 1: Data

Membership data

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

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

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

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

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

Table 7: Membership data summary

Investment strategy

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

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

Asset data

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

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

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

Appendix 2: Assumptions

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

Summary of assumptions

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

Table 9: Summary of assumptions

Deriving future investment return likelihoods

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

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

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

Demographic assumptions

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

Males

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

Table 11: Sample rates for demographic assumptions – Males

Females

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

Table 12: Sample rates for demographic assumptions - Females

Average life expectancies

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

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

Table 13: Average life expectancies

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

Benefit structure

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

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

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

Appendix 3: Governance audit trail

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

Funding strategy

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

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

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

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

Stakeholder engagement

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

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

Appendix 4: Climate change scenario analysis

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

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

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

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

Scenario approach 1 – Stress testing

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

Scenario approach 2 – Narrative driven

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

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

Challenges and limitations

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

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

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

Climate scenario stress test analysis – output summary

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

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

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

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

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

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

Narrative-driven scenario analysis – output summary

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

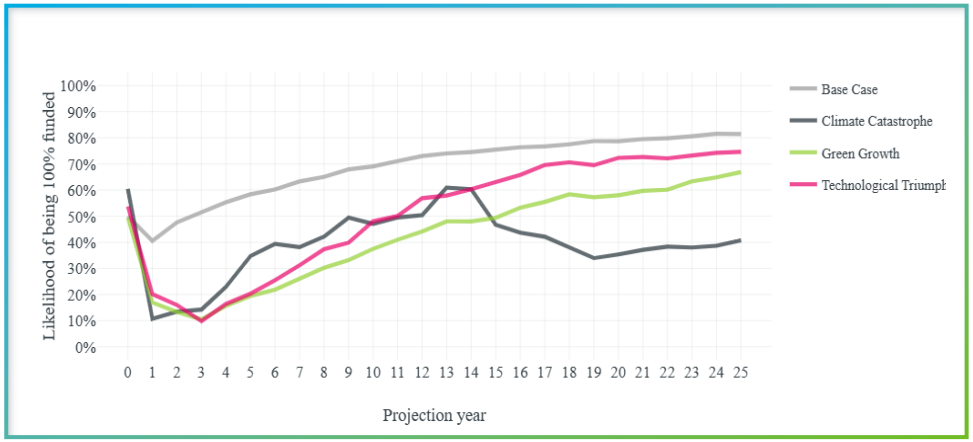


Chart 4: Likelihood of success in the base case and narrative-driven scenarios

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

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

Appendix 5: Section 13 dashboard

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

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

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

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

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

Appendix 6: Reliances & limitations

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

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

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

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

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

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

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

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

Appendix 7: Glossary

50:50 option
An option for LGPS members to pay half employee contributions and earn half the retirement benefit (pre-retirement protection benefits are unreduced).

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

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

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

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

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

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

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

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

Employee (or active) members
Members who are currently employed by employers who participate in the Fund and are paying contributions into the Fund.

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

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

The two measures of the funding position are:

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

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

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

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

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

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

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

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

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

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

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

Appendix 8: Rates and Adjustments Certificate

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

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

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

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

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

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

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

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

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

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

Notes to the Rates & Adjustments Certificate

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

Appendix 9: Gender pensions gap

TBC