

London Borough of Hackney Pension Fund

Funding and risk report as at 30 June 2019

Reliances and limitations

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

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

Important note regarding our funding update at 30 June 2019

This funding update report shows an estimated funding level at 30 June 2019 that is slightly higher than the 2016 published funding level.

It is worth emphasising that this assessment of the health of the whole fund is a crude one - produced by a single, simple, mechanical projection of the 2016 position allowing for market changes (i.e. asset returns, market yields).

As part of the 2019 valuation, we will not only collect new membership data to refresh our analysis, but are also revisiting the actuarial assumptions that are to be used in our calculations.

One interesting aspect of the 2019 valuation will be the impact of increasing scrutiny. Whilst setting contributions continues to be the key output from the valuations, there will be continuing interest in the "health of the Fund" and how that it is presented to the various different scrutineers – the existing declaration of the health via a single funding level will be reviewed and may change from the current approach.

	30 June 2019	Ongoing funding basis
Assets		£1,573m
Liabilities		£2,027m
Surplus/(deficit)		(£454m)
Funding level		77.6%

Summary

This funding update is provided to illustrate the estimated development of the funding position from 31 March 2016 to 30 June 2019, for the London Borough of Hackney Pension Fund ("the Fund"). It is addressed to the London Borough of Hackney in its capacity as the Administering Authority of the Fund and has been prepared in our capacity as actuarial advisers to the Fund.

At the last formal valuation (31 March 2016) the Fund assets were £1,172m and the liabilities were £1,522m. This represented a deficit of £350m and equated to a funding level of 77%. As detailed in the table above, the estimated funding position on the ongoing basis at 30 June 2019 is showing a slight increase in funding level.

This report has been produced exclusively for the Administering Authority. This report must not be copied to any third party without our prior written consent.

Should you have any queries, please do contact us.

Craig Alexander FFA

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

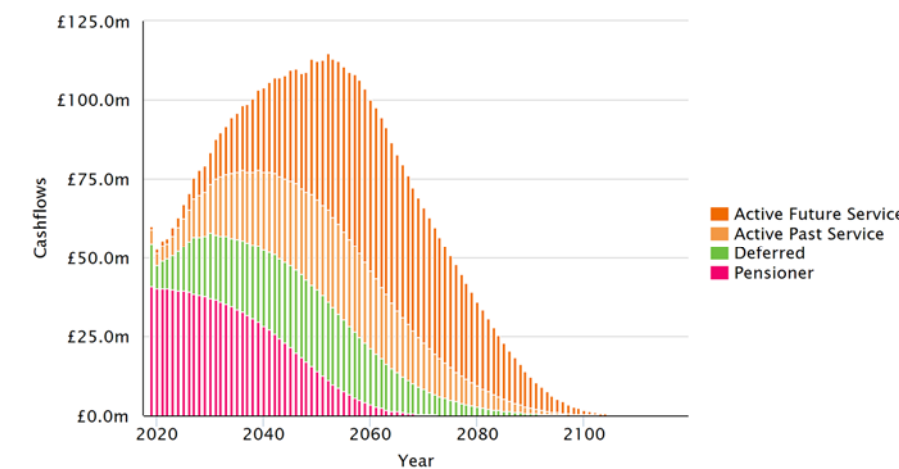
CURRENT POSITION

30 June 2019	Yield Curve Basis
Assets	£1,573m
Liabilities	£2,143m
Surplus/(deficit)	(£570m)
Funding level	73.4%

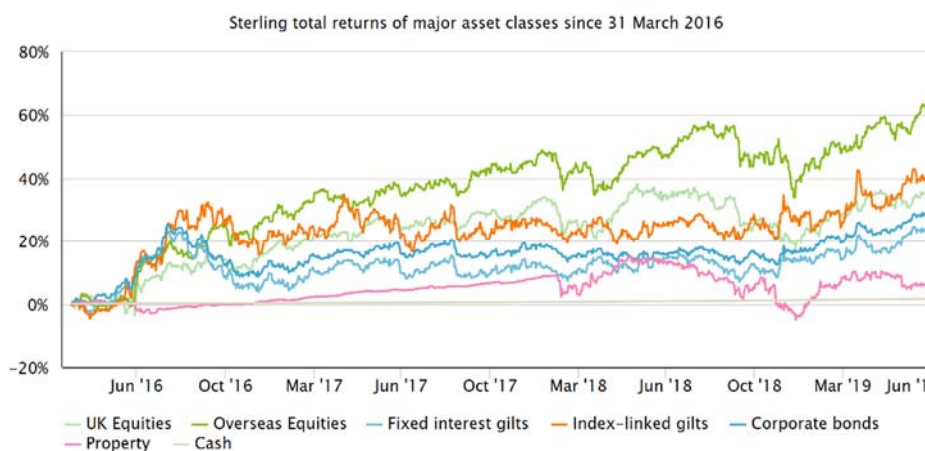
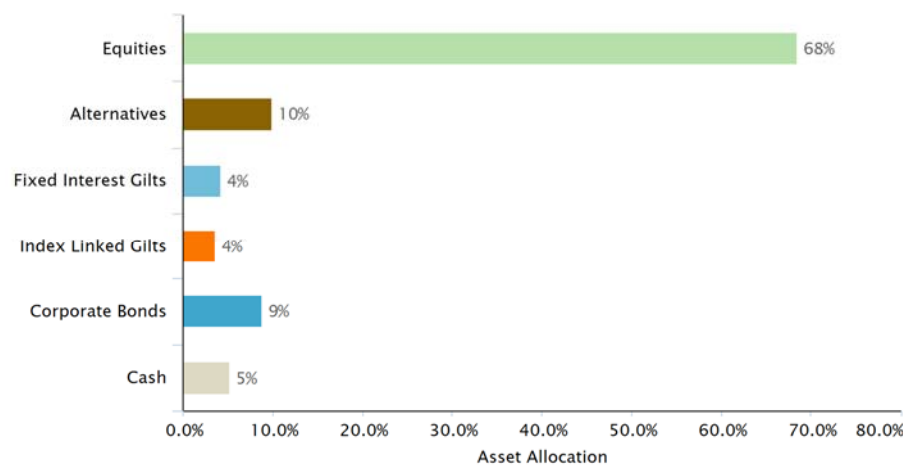
Surplus/(deficit)	£m
Surplus/(deficit) as at 31/03/2016	(405)
Contributions (less benefits accruing)	39
Interest on surplus/(deficit)	(32)
Excess return on assets	225
Impact of change in yields & inflation	(398)
Surplus/(deficit) as at 30/06/2019	(570)

	31 March 2016	31 March 2019	30 June 2019
Market Yields (p.a)			
Fixed Interest Gilts	2.17%	1.48%	1.40%
Index-linked Gilts	-0.96%	-1.81%	-1.84%
Implied Inflation	3.16%	3.35%	3.30%
AA Corporate Bonds	3.36%	2.36%	2.25%
Price Indices			
FTSE All Share	3,395	3,978	4,057
FTSE 100	6,175	7,279	7,426

PROGRESS



ASSETS AND RISKS



Sensitivity Matrix as at 30 June 2019 for Ongoing funding basis (£m)

Shift in bond yields (% p.a.)	Shift in equity level (using FTSE 100 levels as proxy)						
	5,198 -30%	5,341 -20%	6,683 -10%	7,426	8,168 +10%	8,911 +20%	9,653 +30%
+0.6	(636)	(513)	(390)	(267)	(144)	(20)	103
+0.4	(695)	(572)	(449)	(325)	(202)	(79)	44
+0.2	(757)	(634)	(511)	(388)	(264)	(141)	(18)
0.0	(823)	(700)	(577)	(454)	(330)	(207)	(84)
-0.2	(894)	(770)	(647)	(524)	(401)	(278)	(154)
-0.4	(968)	(845)	(722)	(599)	(476)	(352)	(229)
-0.6	(1,048)	(925)	(802)	(679)	(556)	(432)	(309)