

Pension Fund Committee AGENDA

DATE: Wednesday 11 September 2019

TIME: 6.30 pm

VENUE: Committee Room 5, Harrow Civic Centre, Station Road, Harrow, HA1 2XY

MEMBERSHIP (Quorum 3 Councillors)

Chair: Councillor Keith Ferry

Councillors:

Dean Gilligan

Norman Stevenson
Bharat Thakker (VC)

Non-Voting Co-optee:

Mr H Bluston

Trade Union Observer(s):

Mr J Royle – UNISON
Ms P Belgrave – GMB

Independent Advisers

Mr C Robertson
Honorary Alderman R Romain

Reserve Members:

1. Kairul Kareema Marikar
2. Antonio Weiss

1. Kanti Rabadia
2. Amir Moshenson

Contact: Daksha Ghelani, Senior Democratic Services Officer
Tel: 020 8424 1881 E-mail: daksha.ghelani@harrow.gov.uk

Useful Information

Meeting details:

This meeting is open to the press and public.

Directions to the Civic Centre can be found at:
<http://www.harrow.gov.uk/site/scripts/location.php>.

Filming / recording of meetings

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Please note that proceedings at this meeting may be photographed, recorded or filmed. If you choose to attend, you will be deemed to have consented to being photographed, recorded and/or filmed.

When present in the meeting room, silent mode should be enabled for all mobile devices.

Meeting access / special requirements.

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An induction loop system for people with hearing difficulties is available. Please ask at the Security Desk on the Middlesex Floor.

Agenda publication date: Tuesday 3 September 2019

AGENDA - PART I

1. ATTENDANCE BY RESERVE MEMBERS

To note the attendance at this meeting of any duly appointed Reserve Members.

Reserve Members may attend meetings:-

- (i) to take the place of an ordinary Member for whom they are a reserve;
- (ii) where the ordinary Member will be absent for the whole of the meeting; and
- (iii) the meeting notes at the start of the meeting at the item 'Reserves' that the Reserve Member is or will be attending as a reserve;
- (iv) if a Reserve Member whose intention to attend has been noted arrives after the commencement of the meeting, then that Reserve Member can only act as a Member from the start of the next item of business on the agenda after his/her arrival.

2. DECLARATIONS OF INTEREST

To receive declarations of disclosable pecuniary or non pecuniary interests, arising from business to be transacted at this meeting, from:

- (a) all Members of the Panel;
- (b) all other Members present.

3. MINUTES (Pages 7 - 14)

That the minutes of the meeting held on 26 June 2019 be taken as read and signed as a correct record.

4. PUBLIC QUESTIONS *

To receive any public questions received in accordance with Committee Procedure Rule 17 (Part 4B of the Constitution).

Questions will be asked in the order in which they were received. There will be a time limit of 15 minutes for the asking and answering of public questions.

[The deadline for receipt of public questions is 3.00 pm, 6 September 2019. Questions should be sent to publicquestions@harrow.gov.uk

No person may submit more than one question].

5. PETITIONS

To receive petitions (if any) submitted by members of the public/Councillors under the provisions of Committee Procedure Rule 15 (Part 4B of the Constitution).

6. DEPUTATIONS

To receive deputations (if any) under the provisions of Committee Procedure Rule 16 (Part 4B) of the Constitution.

7. PENSION FUND COMMITTEE - PERFORMANCE DASHBOARD AND UPDATE ON REGULAR ITEMS (Pages 15 - 38)

Report of the Director of Finance.

8. ANY OTHER URGENT BUSINESS

Which cannot otherwise be dealt with.

9. EXCLUSION OF THE PRESS PUBLIC

To resolve that the press and public be excluded from the meeting for the following items of business, on the grounds that they involve the likely disclosure of confidential information in breach of an obligation of confidence, or of exempt information as defined in Part I of Schedule 12A to the Local Government Act 1972:

<u>Agenda Item No</u>	<u>Title</u>	<u>Description of Exempt Information</u>
10.	Pension Fund Committee - Performance Dashboard and Update on Regular Items – Appendix 4	Information relating to the financial or business affairs of any particular person (including the authority holding that information)
11.	Actuarial Valuation 2019	Information relating to the financial or business affairs of any particular person (including the authority holding that information)
12.	Investment Strategy Review Outline	Information relating to the financial or business affairs of any particular person (including the authority holding that information)

AGENDA - PART II

10. PENSION FUND COMMITTEE - PERFORMANCE DASHBOARD AND UPDATE ON REGULAR ITEMS (Pages 39 - 44)

Appendix 4 to the report of the Director of Finance at agenda item 7.

11. ACTUARIAL VALUATION 2019 (Pages 45 - 66)

Report of the Director of Finance.

12. INVESTMENT STRATEGY REVIEW OUTLINE (Pages 67 - 76)

Report of the Director of Finance.

[Please note that Aon Hewitt, Advisers to the Fund, will be attending this meeting.]

*** DATA PROTECTION ACT NOTICE**

The Council will audio record item 4 (Public Questions) and will place the audio recording on the Council's website, which will be accessible to all.

[Note: The questions and answers will not be reproduced in the minutes.]

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PENSION FUND COMMITTEE

MINUTES

26 JUNE 2019

Chair:	* Councillor Keith Ferry	
Councillors:	Dean Gilligan	* Bharat Thakker
	* Norman Stevenson	
Co-optee (Non-voting):	* Howard Bluston	
Trade Union Observers:	John Royle	Pamela Belgrave
Independent Advisers:	* Mr C Robertson	Independent Adviser
	* Honorary Alderman R Romain	Independent Adviser

* Denotes Member present

71. Attendance by Reserve Members

RESOLVED: To note that there were no Reserve Members in attendance.

72. Declarations of Interest

All Agenda Items

Councillor Norman Stevenson, a member of the Committee, declared a non-pecuniary interest in that he was a Director of Cathedral Independent Financial Planning Ltd., and that he had clients who were past and present members of the Harrow Pension Scheme. His wife was a member of Harrow Council's Pension Scheme. He would remain in the room whilst the matters were considered and voted upon.

Howard Bluston, prospective non-voting co-optee, declared non-pecuniary interests in that he had previously worked with Aon and that he knew a number of Fund Managers, including BlackRock. He added that he had clients who had invested in GARS (Global Absolute Return Strategies Fund). Additionally, he knew the new Chief Investment Officer, including his successor. He would remain in the room whilst all matters were considered and make contributions.

Colin Cartwright, Aon, declared that his wife had a small investment in GARS (Global Absolute Return Strategies Fund). He would remain in the room whilst matters were considered and advise the Committee.

Colin Robertson, Independent Adviser, declared that he and his mother had personal investments in GARS (Global Absolute Return Strategies Fund). He would remain in the room whilst matters were considered and make contributions.

73. Appointment of Vice-Chair

RESOLVED: That Councillor Bharat Thakker be appointed as Vice-Chair of the Committee for the 2019/2020 Municipal Year.

74. Minutes

RESOLVED: That the minutes of the meeting held on 12 March 2019, be taken as read and signed as a correct record.

75. Public Questions, Petitions and Deputations

RESOLVED: To note that no public questions, petitions or deputations were received at the meeting.

RECOMMENDED ITEMS

76. Appointment of Pension Fund Co-optee

The Committee received a report of the Director of Finance regarding the re-appointment of the non-voting co-optee to the Committee.

An officer amended the recommendation set out in the report and it was

Resolved to RECOMMEND: (to Council)

That Howard Bluston be re-appointed as a non-voting Co-optee to the Pension Fund Committee for the Municipal Year 2019/20 under the working arrangements described in paragraphs 2 and 3 of the officer report.

RESOLVED ITEMS

77. London Borough of Harrow Pension Fund: Draft Annual Report and Financial Statements for the year ended 31 March 2019

The Committee received the report of the Director of Finance, which set out the draft Pension Fund Annual Report and Financial Statements for the year ending 31 March 2019 on which the Committee's comments were invited.

An officer introduced the report and highlighted the performance of the Fund in that the net assets of the Fund had increased from £816.1m to £851.3m during 2018/19. This performance equated to a 6% return on investments during a volatile year in the financial markets. He drew Members' attention to the Pension Fund Account as at 31 March 2019 set out at page 45 of the agenda and referred to the pension benefits of £33.527m paid during 2018/19 which had exceeded contributions received but this shortfall been offset by investment income.

The Committee welcomed the Senior Manager, Public Services Audit, Mazars, Council's external auditor, to the meeting. He informed Members that the final accounts would be presented to the September 2019 meeting of the Committee.

The advisers to the Committee made the following comments:

- the table at page 37 of the agenda, 'actual asset allocation as at 31 March 2019 to the agreed allocation', needed to be amended to reflect the inclusion of 11% Multi Asset Credit and the reduction in Diversified Growth Funds from 17.5% to 6.5%. The Director of Finance agreed with this point. An adviser stated that a clear performance benchmark was not always required. A Fund Manager could be appointed who was benchmark agnostic;
- the introduction at page 29 of the agenda should be reworded to be less specific with regard to the timing of further investment in the London CIV (Collective Investment Vehicle). The Director of Finance agreed to revisit the wording;
- the table at page 34 of the agenda, 'cost of running the Pension Fund' was difficult to interpret. An officer explained that this was a given standard table which Councils had been asked to produce to help and benchmark cost against other Councils. It was suggested that further information or a footnote might be appropriate in this instance;
- sponsor risk section at page 40 of the agenda ought to be amended to read 'The Fund is currently ... will require the continued payment from 'may require' ...
- how robust was the assumption at page 72 of the agenda. A representative of Hyman Robertson LLP, Council's Actuary, reported that an analysis had not yet been carried out but would form part of the

2019 actuarial valuation. The Chair was of the view that a new valuation needed to be discussed.

In response to a question on fees, an officer reported that there had been an overall reduction in the fees, whilst the value of the Fund had increased. The reduction in fees had been achieved though the London Collective Investment Vehicle (CIV) and further information would be provided. The Chair stated that pointers/footnotes might be appropriate.

RESOLVED: That

- (1) the report be noted, including the proposed changes set out in the preamble above;
- (2) it be noted that a final report would be submitted to the September 2019 meeting of the Committee.

78. Pension Fund Committee - Performance Dashboard and Update on Regular Items

The Committee received a report of the Director of Finance, together with a confidential appendix, which updated Members on:

- the draft Work Programme inviting Members' comments and agreement;
- a new investment and management performance dashboard report summarising key fund performance, risk indicators, trigger monitoring report and PIRC Performance Indicators. The Committee were invited to comment on the performance and investment dashboard report and the preferred format and presentation for future reports;
- the Fund's performance to 31 March 2019;
- issues raised by Pension Board.

A representative of Aon Hewitt introduced the report and referred to the Investment Dashboard, colour copies of which were circulated to the Committee and large copies would be available for the future. The Committee welcomed the Dashboard, as it brought together all elements of the Pension Fund on two pages. It was noted that the Dashboard would be produced quarterly. The representative reported that he was not recommending any changes to trigger monitoring and no de-risking actions were being recommended. He explained the asset allocation as set out on the Dashboard and within the London CIV (Collective Investment Vehicle). He added that there were no areas of concern and the performance was dependant on the investment strategy. All Fund Managers were being monitored and the new team at LaSalle was being given an opportunity to 'bed in'.

An Independent Adviser asked question relating to the London CIV and the projections for 1 year and 3 years. In response, a representative of Aon Hewitt stated that this aspect was covered elsewhere on the agenda but assured the Committee that the direction of travel was right. The asset allocation within the London CIV would be considered. The Chair indicated that he was not supportive of the CIV and would take that message back to the CIV.

The Chair requested that an updated appendix 5 to the report be circulated electronically monthly. An officer said that the Fund value had increased despite the volatility in the financial markets. He expected the figure set out in appendix 5 to show £867m by end of June 2019.

An Independent Adviser enquired if Minute 58, resolution 1 – rebalance to the Strategic Benchmark Allocation by redeeming 5% across all equity holdings and the cash holding to be held within Blackrock to sit within the London CIV – had been actioned. An officer reported that the process was underway. He confirmed that the London CIV did not have a cash management sub-fund. Aon Hewitt reported that they did not understand why the CIV did not have a cash fund.

An officer confirmed that the holding in Aberdeen Standard Investments had been sold and that a transition manager had not been used.

An adviser raised the recent experience of Woodford Investment Management. A representative from Aon Hewitt assured the Committee that the Harrow Pension Fund was not affected and that he was not overly concerned with the holding of liquid assets within the Fund. He was of the view that there were no liquidity issues in relation to Standard Life GARS (Global Absolute Return Strategies Fund) before it was sold in April 2019.

RESOLVED: That, subject to comments set out in the preamble above, the Work Programme for the period up to March 2020 be agreed.

79. Exclusion of the Press Public

RESOLVED: That, in accordance with Part I of Schedule 12A to the Local Government Act 1972, the press and public be excluded from the meeting for the following items for the reasons set out below:

<u>Agenda Item No</u>	<u>Title</u>	<u>Description of Exempt Information</u>
13.	Pension Fund Committee - Performance Dashboard and Update on Regular Items - Appendix	Information under paragraph 3 contains information relating to the financial or business affairs of any particular person (including the authority holding that information)
14.	Actuarial Valuation 2019	Information under paragraph 3 contains information relating to the

financial or business affairs of any particular person (including the authority holding that information)

15. Investment Strategy Workplan Information under paragraph 3 contains information relating to the financial or business affairs of any particular person (including the authority holding that information)

80. Pension Fund Committee - Performance Dashboard and Update on Regular Items

[See Minute 78 above.]

81. Actuarial Valuation 2019

The Committee received a confidential report of the Director of Finance, which referred to a presentation from the Actuary, Hymans Robertson LLP, on progress on the triennial valuation to date and the consideration of the valuation assumptions. The presentation was received prior to the meeting.

The Chair raised the issue of 'assumption', how it was arrived at and whether the Committee would have any input into the assumption. A representative of Hymans Robertson LLP, Council's Actuary, together with the Director of Finance, responded appropriately.

An adviser stated that it was important for the Committee to consider the issue of 'assumption(s)' and that it ought to satisfy itself that the proposed assumptions lay appropriately in the range of acceptable assumptions. This would encompass both the margin above the risk free rate and the CPI (Consumer Price Index) assumption which was not necessarily RPI (Retail Price Index) inflation deduced from the gilt market less an adjustment. Another adviser said that the Committee needed to decide on a set of assumptions that was acceptable and one that did not result in the issue of 'red' flags'. In setting the range, the Committee would need to be prudent and conservative.

A lengthy discussion ensued during which a number of points were made, questions asked and answered.

RESOLVED: That

- (1) the report be noted;
- (2) Hymans Robertson LLP be requested to prepare a sensitivity analysis for 1.6%, 1.8% and 2.0% margins above the risk free rate to allow the Committee to see the difference in rates/outcomes and the Director of Finance convene an informal meeting in September 2019 for further discussion;

- (3) the intention at (2) above was to ensure a fully funded Pension Fund within a period of 20 years.

82. Investment Strategy Workplan

The Committee received a confidential report of the Director of Finance together with a report produced by Aon Hewitt, Advisers to the Fund, which requested consideration of the proposed workplan for an investment strategy review of the Fund. The report also provided background information on the current asset allocation strategy and the Fund's approach to asset pooling.

A representative of Aon Hewitt introduced the report and stated that given the discussion at Minute 81, it would be appropriate to bring the work on investment strategy forward. A Member suggested that training on 'Risk' should be brought forward.

An adviser suggested that paragraph 27 at page 132 of the agenda should include reference to the future use in the Strategy of DGFs (Diversified Growth Funds).

RESOLVED: That the Investment Strategy Review Workplan, set out in the appendix to the report, be approved.

(Note: The meeting, having commenced at 6.36 pm, closed at 8.30 pm).

(Signed) COUNCILLOR KEITH FERRY
Chair

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**REPORT FOR: PENSION FUND
COMMITTEE**

Date of Meeting:	11 September 2019
Subject:	Pension Fund Committee – Performance Dashboard and Update on Regular Items
Responsible Officer:	Dawn Calvert, Director of Finance
Exempt:	No, except for Appendix 4 which is exempt from publication under paragraph 3, Part 1 of Schedule 12A to the Local Government Act 1972 (as amended) as it contains information relating to the financial or business affairs of any particular person (including the authority holding that information)
Wards affected:	All
Enclosures:	Appendix 1: Investment Dashboard as at 30 June 2019 Appendix 2: Trigger Monitoring Report Appendix 3: PIRC Local Authority Pension Performance Indicators to June 2019 (Exempt) Appendix 4: Manager Monitoring Report - Executive Summary Appendix 5: Fund Value as at 30 June 2019

Section 1 – Summary and Recommendations

- This report updates the Committee on regular items as follows:
- Draft work programme on which the Committee’s comments and agreement are requested.
 - It includes a new investment and management performance dashboard report summarising key fund performance and risk indicators and trigger monitoring report and PIRC Performance Indicators
 - Fund performance to 30th June 2019
 - Issues raised by Pension Board.

Recommendation

That, subject to any comments the Committee wish to make, the work programme for the period up to March 2020 be agreed.

The Committee are invited to comment on the performance and investment dashboard report and the preferred format and presentation for future reports.

Section 2 – Report

A. Introduction

1. This report updates the Committee on regular items as follows:
 - Draft work programme for 2019-20 (Sub-section B)
 - Investment and Manager Performance Dashboard (Sub-section C) and Appendix 1-4
 - Fund Performance and actions for periods ended 30 June 2019 (Sub-section D) and Appendix 5)
 - Issues raised by Pension Board (Sub-section E)

B Draft Work Programme 2019-20

October/November 2019 – “Meet the Managers” Date to be confirmed

26 November 2019

Update on regular items:

- work programme for 2019-20
- Performance Dashboard as at 30 September 2019
- Issues raised by Pension Board
- Emerging Risks

Pooling and London Collective Investment Vehicle Update
Strategic Investment Review Update
Environmental, social and governance Issues
Training session at 5.30 – tbc

25 March 2020

Update on regular items:

- Draft work programme for 2020-21
- Performance Dashboard 31 December 2019
- Issues raised by Pension Board
- Emerging risks

Actuarial Valuation 2019 Final Report
Pooling and London Collective Investment Vehicle
Monitoring of operational controls at managers
External Audit plan 2020-21
Training programme 2021-22

Quarterly trigger monitoring
Environmental, social and governance Issues
Training session at 5.30 – tbc

2. The Committee will have the opportunity to update this programme at every meeting but are invited to comment on the draft above and agree it at this stage.
3. In addition to the Committee's work programme training opportunities will be offered for an hour prior to each meeting.

C Summary Performance Dashboard for Period Ended 30 June 2019

4. Attached as Appendix 1 is a summary investment performance dashboard which is a new performance report developed by Aon following consultation with officers, the previous Chair of Pension Fund Committee and the independent advisers. It is designed to provide summary reporting and to streamline the performance reports presented to committee.
5. The investment dashboard shows the Pension Funds estimated Investment Funding Level of 77.6% as at 30 June 2019 and the fund assets (£873m) and liabilities (£1,125m). This estimate is a rolled forward projection based on the 2016 actuarial valuation and will be updated once the results of the 2019 actuarial valuation have been reported to Committee.
6. The estimated funding level was a slight increase over the quarter whilst long term bond yields remain at low levels. No de-risking actions are recommended at the current time. See Appendix 2 Trigger Monitoring Report.
7. The Fund subscribes to the performance data service provided by Pension and Investment Consultants Limited (PIRC) The PIRC performance report is attached as Appendix 3 to this report. The dashboard summarises quarter, year and 3 year performance all of which are below the fund benchmark.
8. The Dashboard includes a summary of asset allocation relative to the strategic benchmark .It also show the current allocation made to the London CIV (49.6%). and a summary of manager performance and manager rating.
9. Appendix 4 Executive Manager Monitoring Report Executive Summary reports on managers who have received the Aon qualified or in review rating. This is summarised on the dashboard 'Manager in Focus' section.

D Fund Performance and Valuation for Period Ended 30 June 2019

10. Appendix 5 sets out the fund market value from 31st March 2019 to 30 June 2019. The value of the Fund at the 30th June 2019 had increased over the quarter to £871.6m from £851.3m as at 31 March 2019) though there was considerable market volatility during the quarter. The value of the Fund to 31 July 2019 is also shown (£892m).
11. On 30 April 2019, the Fund divested in full from Aberdeen Standard Investments (£95.7m and invested £95m in the London CIV Multi Asset Credit Fund, as agreed by Committee on 12th March 2019.
12. Circa £34m is to be transferred from equities to cash to reduce the overweight position in equities to rebalance the strategic benchmark as agreed by Pension Fund Committee on 12th March 2019.

E Meetings of Pension Board

13. Pension Board met on 11th July 2019 and received confirmation that there had been no reported breaches of law in the previous quarter. They received reports on fund administration performance to 31 March 2019 and reviewed the Pension Fund Annual Report for 2019/20.

Legal Implications

- 14 The Pension Fund Committees' Terms of Reference sets out the Committee's power and duties which include:
15. To administer all matters concerning the Council's pension investments in accordance with the law and Council policy;
- 16 To establish a strategy for the disposition of the pension investment portfolio; and
17. To appoint to appoint and determine the investment managers' delegation of powers of management of the fund

Financial Implications

18. There are several matters mentioned in this report, particularly asset allocation and manager performance which has significant financial implications but there are no direct financial implications arising from it as its main purpose is to provide an update on regular items.

Risk Management Implications

19. The Pension Fund has a risk register which includes all the risks identified which could affect the management of the Pension Fund. There are no new emerging risks to report

Equalities implications / Public Sector Equality Duty

20. Was an Equality Impact Assessment carried out? No. There are no direct equalities implications arising from this report.

Council Priorities

21. The financial health of the Pension Fund directly affects the level of employer contribution which, in turn, affects the resources available for the Council's priorities there are no impacts arising directly from this report.

Section 3 - Statutory Officer Clearance

Name: Dawn Calvert Chief Financial Officer

Date: 29 August 2019

Name: Dawn Calvert

on behalf of the
Corporate Director

Date: 29 August 2019

Ward Councillors notified: NO

Section 4 - Contact Details and Background Papers

Contact: Iain Millar, Treasury and Pensions Manager
Tel: 020 8424 1432

Background Papers: None.

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Investment Dashboard

Q2 2019

Prepared by Aon

Presentation to the London Borough of Harrow Pension Fund Committee



Investment Dashboard

Funding

77.6%

Qtr ▲ 0.4%

Source: Hymans Robertson

Assets

£873m

Qtr ▲ £22m

Liabilities

£1,125m

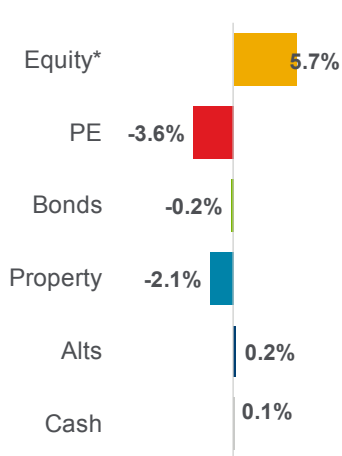
Qtr ▲ £23m

Yields & MTAA views

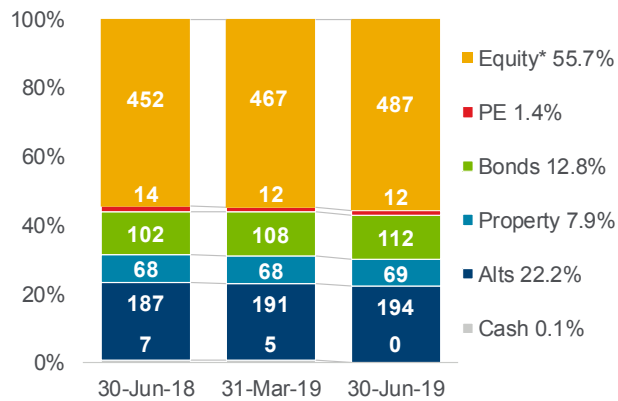
	Now	3yr*		5yr	
		Market Pricing	Aon View**	Market Pricing	Aon View**
Nominal	1.2%	▲ 1.4%	▲ n/a	▲ 1.5%	▲ n/a
Real	-2.3%	▲ n/a	▲ n/a	▲ -1.9%	▲ n/a
Inflation	3.6%	▲ n/a	▲ n/a	▼ 3.5%	▲ n/a

Source: Aon *3-year market pricing currently unavailable for real rate and breakeven inflation rate.
 ** Given the uncertainty surrounding Brexit Aon's Fixed Income Team has suspended its medium-term projections on rates

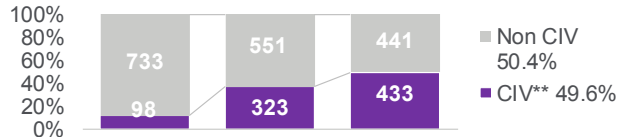
Asset Allocation relative to strategic



Absolute



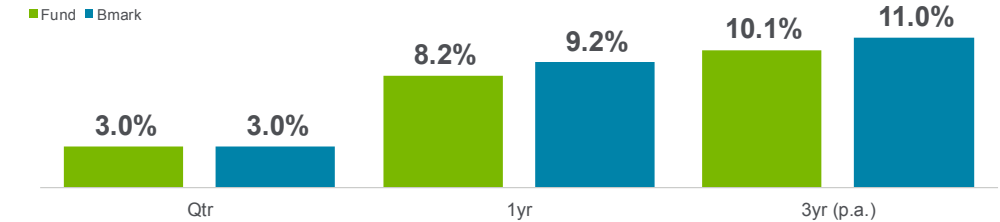
London CIV



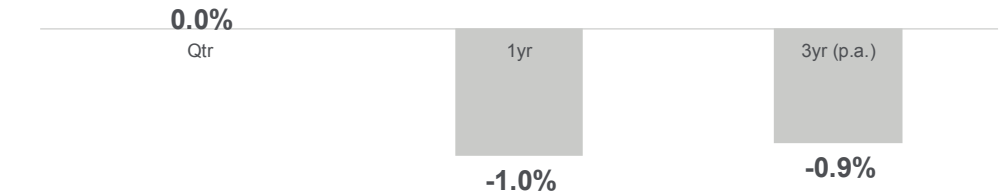
Source: London Borough of Harrow Pension Fund Officers *includes passive currency hedge ** includes passive equity (BlackRock from Q4 2018)

Performance

Absolute



Relative



Fund and Benchmark Performance Source: PIRC

Managers in Focus

InReview

Qualified

Oldfield Global Equities
 GMO Emerging Markets
 BlackRock Index-Linked Gilts*
 LaSalle UK Property

Below expectations

Sell

Source: Aon

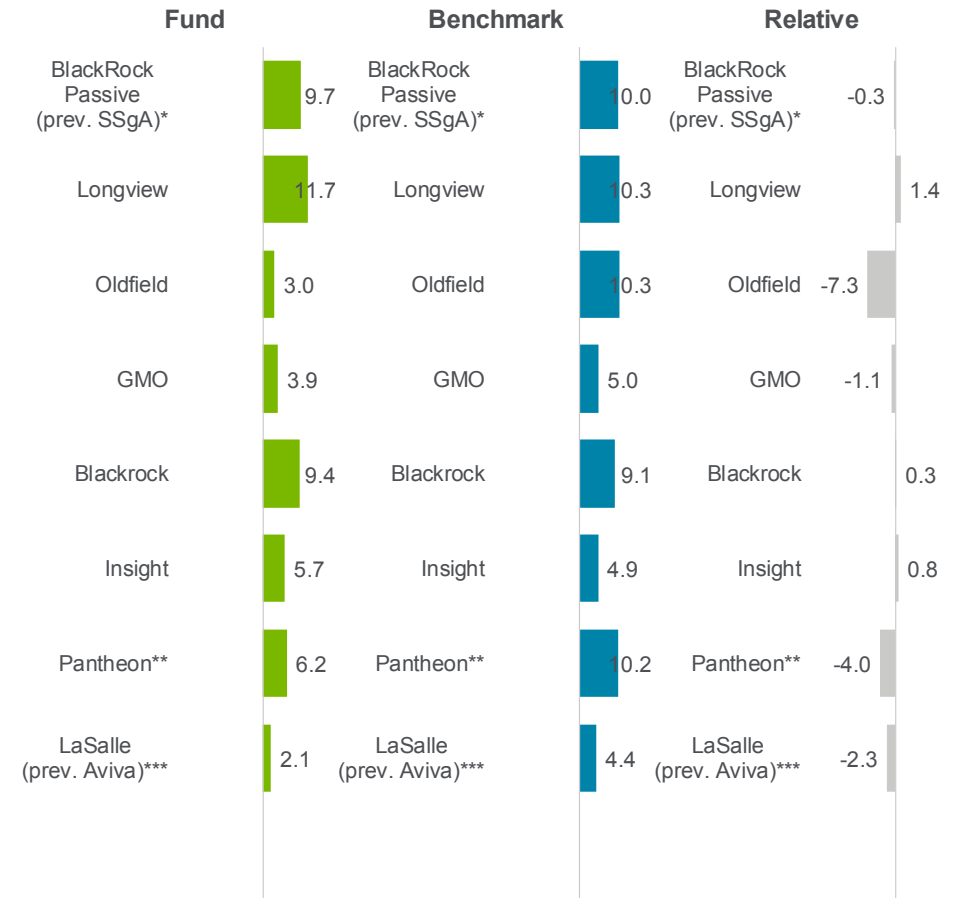
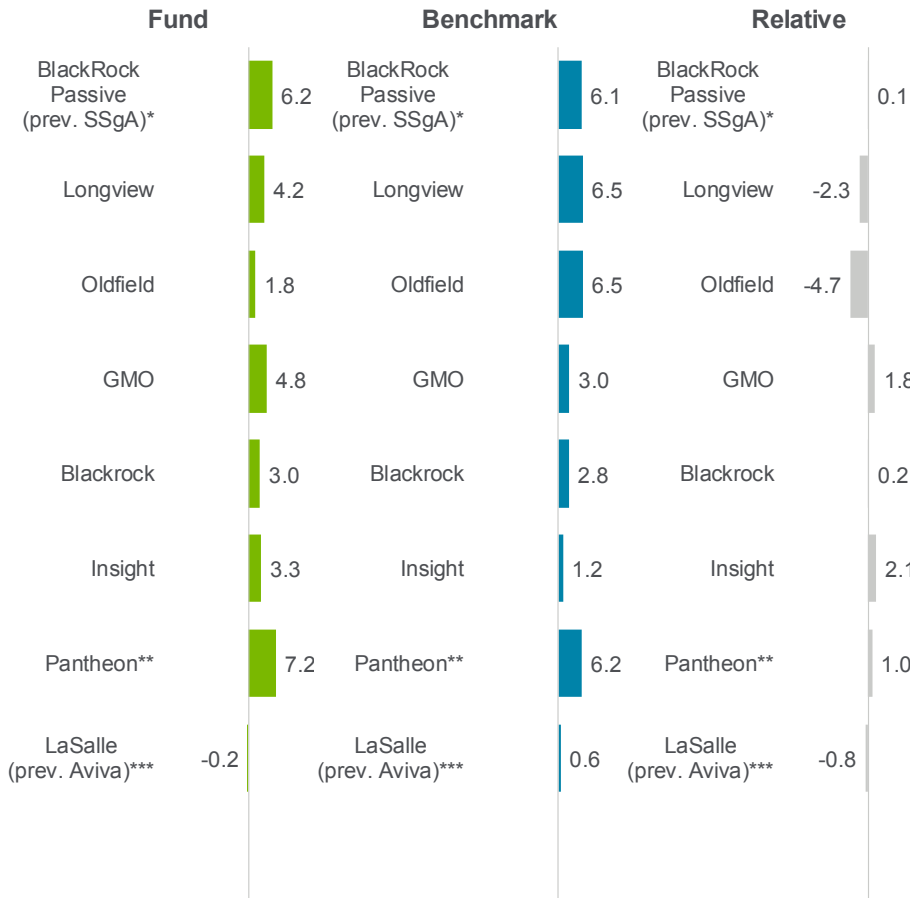
*Aon InForm Assessment

Manager Performance Dashboard

Quarterly

12 months

23



Fund and Benchmark Performance Source: PIRC

*The passive equity assets were moved from SSGA to BlackRock on 7 September 2018

**Pantheon performance uses the previous quarter value adjusted for cash flow in the month

*** Final figures not yet recieved

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London Borough of Harrow Pension Fund ('the Fund')

Date: 22 August 2019
Prepared for: Pension Fund Committee ('the Committee')
Prepared by: Colin Cartwright
Joseph Peach

Quarterly Trigger Monitoring – Q2 2019

Introduction

The purpose of this short report is to provide an update on the status of three de-risking triggers which the Committee have agreed to monitor on a quarterly basis. The three triggers are related to:

- The Fund's funding level
- Yield triggers based on the 20 year spot yield
- Aon's view of bond yields

Funding level

The charts and table below show the Fund's funding level at the end of the quarter compared with the level at the last actuarial valuation as at 31 March 2016.

The funding level as at 30 June 2019 was 77.6%, compared to 77.2% as at 31 March 2019 and 74.3% as at 31 March 2016.

30 June 2019	Ongoing Basis*
Assets	£873m
Liabilities	£1,125m
Surplus (deficit)	(£252m)
Funding Level	77.6%

* Funding update prepared on an approximate basis allowing for changes in market conditions (asset values, market yields) and fund cashflow data since 31 March 2016. Funding results taking account of actual membership data as at 30 June 2019 and updated actuarial assumptions will be provided later in 2019.



Source: Hymans Robertson

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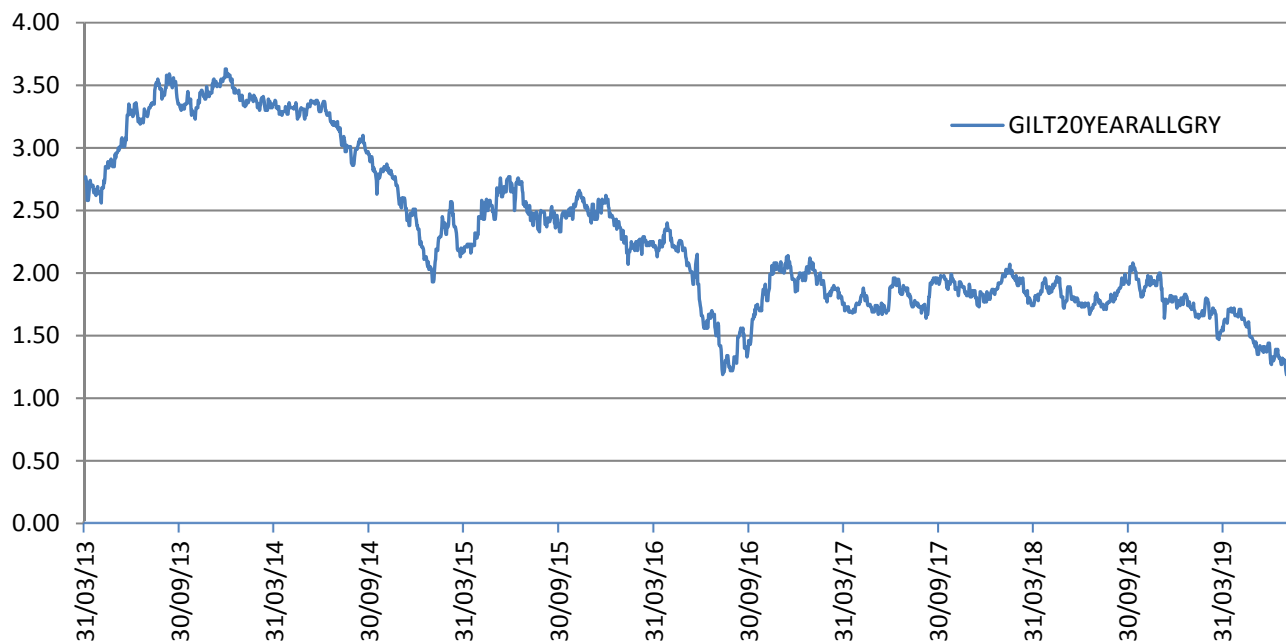
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20 year spot yield

The chart below shows the movement of the 20 year spot yield from 31 March 2013 to 21 August 2019. Yields ended the second quarter of 2019 at 1.44%, a decrease from their 1.54% level at the end of Q1 2019. Yields initially rose over April before falling towards the end of the month and into May. Yields fluctuated throughout the month of May before steadily declining through June. Since the end of the second quarter yields have continued to decline, falling as low as 0.90% in mid-August.

20 year gilt spot yield



Aon views on bond yields

Given the uncertainty surrounding Brexit, Aon's Fixed Income Team has suspended its medium-term projections on rates until the Brexit landscape offers more clarity. The table below sets out the market in terms of spot and forward rates as at 6 August 2019. 3 year market pricing is currently not available for real rate and breakeven inflation rates.

Summary of market spot and forward rates

	6 August 2019	In 3 years	In 5 years
	20 year Spot Rate	Market Pricing	Market Pricing
Real	-2.3%	N/A	-1.9%
Nominal	+1.2%	+1.4%	+1.5%
Breakeven*	+3.6%	N/A	+3.5%

*Totals may not sum exactly due to rounding

Conclusion

The funding level increased over the quarter whilst long term bond yields have fallen to even lower levels.

No de-risking actions are recommended at the current time.

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31 **Quarterly Performance Summary**

Harrow Pension Fund

Periods to end June 2019

Produced August 14th 2019



Performance Overview

Fund Performance

	Quarter	1 Year	3 Years (% p.a.)	5 Years (% p.a.)
Fund	3.0	8.2	10.1	9.1
Benchmark	3.0	9.2	11.0	9.6
Relative	0.0	-0.9	-0.8	-0.4

Manager Performance

CS	Latest Quarter			1 Year			3 Years (% p.a.)		
	Portfolio	BM	Relative	Portfolio	BM	Relative	Portfolio	BM	Relative
Longview	4.2	6.5	-2.2	11.7	10.3	1.3	13.2	13.0	0.2
Passive Equity	6.2	6.1	0.1	9.7	10.0	-0.2	13.8	13.9	-0.1
GMO	4.8	3.0	1.7	3.9	5.0	-1.0	8.5	12.5	-3.6
Oldfield	1.8	6.5	-4.4	3.0	10.3	-6.6	13.3	13.8	-0.5
Pantheon*	7.2	6.2	0.6	6.2	10.2	-3.6	11.7	14.0	-2.0
LaSalle**	-0.2	0.6	-0.8	2.1	4.4	-2.1	5.1	6.5	-1.3
BlackRock	3.0	2.8	0.2	9.4	9.1	0.3	6.0	5.5	0.4
Insight	3.3	1.2	2.1	5.7	4.9	0.8	5.1	4.6	0.5

Aberdeen Standard Investments was terminated and replaced with CQS at end April 2019. These portfolios do not have data for the full quarter and are therefore not shown here although they are included in the total fund results.

*The Pantheon performance uses the previous quarter value adjusted for cash flows in the month. As a long term investment the longer term results are the key indicators for this portfolio.

** Previously Aviva



Asset Allocation

Asset Allocation

	Start Quarter		End Quarter		% BM
	GBP'000s	%	GBP'000s	%	
Equity	467,263	55	486,932	56	50
Longview	105,031	12	109,400	13	10
BlackRock	217,821	26	228,352	26	24
GMO	73,784	9	77,310	9	8
Oldfield	70,627	8	71,870	8	8
Private Equity	11,522	1	12,004	1	2
Pantheon	11,522	1	10,833	1	2
LCI	68,793	8	68,793	8	10
LaSalle	68,171	8	67,516	8	10
Bonds	101,002	12	111,594	13	13
BlackRock	108,159	13	111,594	13	13
Alternatives	191,029	22	194,269	22	25
Insight	95,800	11	98,809	11	6.5
Aberdeen Standard	95,229	11	0	0	0
CQS			95,460	11	11
Infrastructure**					7.5
Cash*	5,188	1	472	0	0
Total Fund	851,332	100	871,616	100	100

* Includes Record Hedge

** Not yet funded



Performance Attribution by Manager

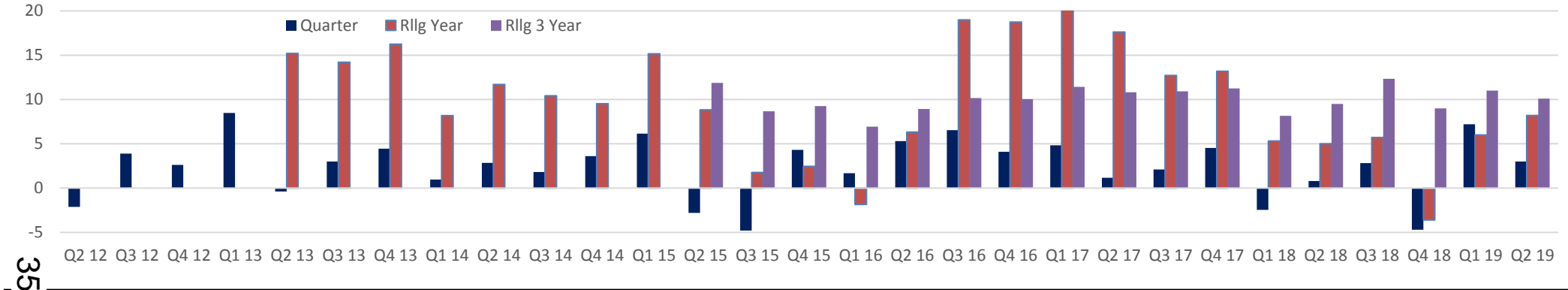
(£'000s)	Longview	Passive	GMO	Oldfield	Pantheon	LaSalle	BlackRock	Insight	Aberdeen	CQS	Infra	Cash	Total
End Mar 2019	105,031	217,821	73,784	70,627	11,522	68,171	108,159	95,800	95,229	0	0	5,188	851,332
End June 2019	109,400	228,352	77,310	71,870	10,833	67,516	111,594	98,809	0	95,460	0	472	871,616
Latest Quarter													
Fund	4.2	6.2	4.8	1.8	7.2	-0.2	3.0	3.3					3.0
BM	6.5	6.1	3.0	6.5	6.2	0.6	2.8	1.2					3.0
Relative	-2.2	0.1	1.7	-4.4	0.9	-0.8	0.2	2.1					0.0
<i>Manager Impact</i>	-0.3	0.0	0.1	-0.4	0.0	-0.1	0.2	0.2	0.1	-0.1			-0.2
<i>Allocation Impact</i>	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-0.1		0.1	0.0	0.2
One Year													
Fund	11.7	9.7	3.9	3.0	6.2	1.8	9.4	5.7					8.2
BM	10.3	10.0	5.0	10.3	10.2	3.7	9.1	4.9					9.2
Relative	1.3	-0.2	-1.0	-6.6	-3.6	-1.9	0.3	0.8					-0.9
<i>Manager Impact</i>	0.2	-0.1	-0.1	-0.5	0.0	-0.2	0.2	0.1	-0.2				-0.7
<i>Allocation Impact</i>	0.0	0.0	0.0	0.0	0.0	0.1	0.0	-0.1	-0.1			-0.1	0.0
Three Years (% p.a.)													
Fund	13.2	13.8	8.5	13.3	11.7	5.0	6.0	5.1					10.1
BM	13.0	13.9	12.5	13.8	14.0	6.3	5.5	4.6					11.0
Relative	0.2	-0.1	-3.6	-0.5	-2.0	-1.2	0.4	0.5					-0.8
<i>Manager Impact</i>	0.1	0.0	-0.3	0.3	0.0	-0.1	0.0	-0.1	-0.6				-0.6
<i>Allocation Impact</i>	0.0	0.0	0.0	0.0	0.0	0.1	0.0	0.0	0.0			-0.2	-0.1
Five Years (% p.a.)													
Fund	10.8	10.9			14.8	7.2	8.3						9.1
BM	8.8	11.0			13.2	8.5	8.1						9.6
Relative	1.9	-0.1			1.4	-1.2	0.2						-0.4

Insight was appointed in January 2015 therefore do not yet have 5 year performance available
 GMO and Oldfields were appointed November 2014 and SLIM appointed June 2013 therefore no 5 year results available.
 SLIM was replaced with CQS at end April 2019



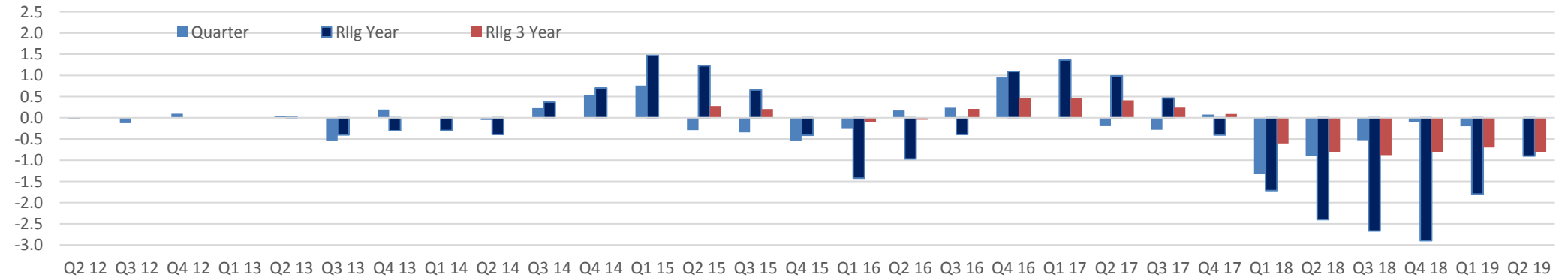
Longer Term Performance

Absolute Returns



The Fund has produced a positive return in almost every quarter of the last five years and most rolling one and three year periods.

Relative Returns



The Fund has performed within a tight range of its Benchmark - within +/- 2% quarterly and longer term.

Recent performance has been closer to benchmark.



Benchmark Allocation

%	To 31/12/2017	From 1/1/2018	From 1/4/2019
Equity	62	50	50
Global Passive	31	24	24
Developed Active	21	18	18
Emerging Markets Active	10	8	8
Bonds	13	13	13
UK Bonds	10.4	10	10
Index Linked Gilts	2.6	3	3
Property	10	10	10
Diversified Growth	10	22	6.5
Multi Asset Credit			11
Infrastructure			7.5
Private Equity	5	5	2

Fund Valuation and Performance

March 2019 to July 2019

Asset Class	Value 31.03.2019 £'000	Value 30.04.2019 £'000	Value 31.05.2019 £'000	Value 30.06.2019 £'000	Value 31.07.2019 £'000	Allocation 31.07.2019 %	Strategic Allocation %	Strategic Range %
Global Equities								
LCIV - Longview (Aug17)	105,031	106,504	102,914	109,400	113,551	13	10	
LCIV - Blackrock (Sep18)	217,821	225,177	219,198	228,352	238,123	27	24	
GMO	73,784	75,497	73,085	77,310	80,670	9	8	
Oldfields	70,627	70,830	68,269	71,870	72,352	8	8	
Record passive currency hedge	756	576	-5,611	-5,131	-9,014	N/A	N/A	
Total Global Equities	<u>468,019</u>	<u>478,583</u>	<u>457,855</u>	<u>481,802</u>	<u>495,682</u>			
Total Equities	<u>468,019</u>	<u>478,583</u>	<u>457,855</u>	<u>481,802</u>	<u>495,682</u>	<u>56</u>	<u>50</u>	<u>45-55</u>
Private Equity								
Pantheon	11,522	11,522	11,522	10,833	10,833			
Total Private Equity	<u>11,522</u>	<u>11,522</u>	<u>11,522</u>	<u>10,833</u>	<u>10,833</u>	<u>1</u>	<u>2</u>	<u>0-3</u>
Property								
LaSalle	68,171	68,076	68,017	67,516	67,363			
Total - property	<u>68,171</u>	<u>68,076</u>	<u>68,017</u>	<u>67,516</u>	<u>67,363</u>	<u>8</u>	<u>10</u>	<u>8-12</u>
Bonds								
Blackrock - FI	86,080	85,271	86,600	89,088	90,661	10	10	
Blackrock - IL	22,079	21,591	23,061	22,506	22,827	3	3	
Total Bonds	<u>108,159</u>	<u>106,862</u>	<u>109,661</u>	<u>111,594</u>	<u>113,488</u>	<u>13</u>	<u>13</u>	<u>11-15</u>
Alternatives								
Insight	95,800	97,186	96,275	98,809	99,782	11	17.5	
Aberdeen (GARS)	95,229	0	0	0	0	0		
LCIV - MAC Fund	0	95,000	94,908	95,460	95,920	11		
LCIV - Infrastructure	0	0	0	0	0	0	7.5	
Total Alternatives	<u>191,030</u>	<u>192,186</u>	<u>191,183</u>	<u>194,269</u>	<u>195,702</u>	<u>22</u>	<u>25.0</u>	<u>20-26</u>
Cash & NCA								
Cash Managers	44	792	792	44	839			
Cash NatWest	3,068	2,988	3,135	3,194	4,493			
Cash Custodian (JP Morgan)	1	340	339	338	337			
Debtors and Creditors	1,169	2,182	1,883	1,877	1,912			
CIV Investment	150	150	150	150	150			
Total Net Current Assets	<u>4,432</u>	<u>6,452</u>	<u>6,299</u>	<u>5,603</u>	<u>7,731</u>	<u>1</u>	<u>0</u>	
Total Assets	<u>851,332</u>	<u>863,681</u>	<u>844,537</u>	<u>871,617</u>	<u>890,800</u>	<u>100</u>	<u>100</u>	

(As Draft SOA
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