

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

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Prepared for: Pension Fund Committee ('the Committee')  
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# Quarterly Trigger Monitoring – Q2 2018

## 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 2018 was 80.0%, compared to 78.3% as at 31 March 2018 and 74.3% as at 31 March 2016.

30 June 2018	Ongoing Basis
Assets	£831m
Liabilities	£1,038m
Surplus (deficit)	(£208m)
Funding Level	80.0%



Source: Hymans Robertson

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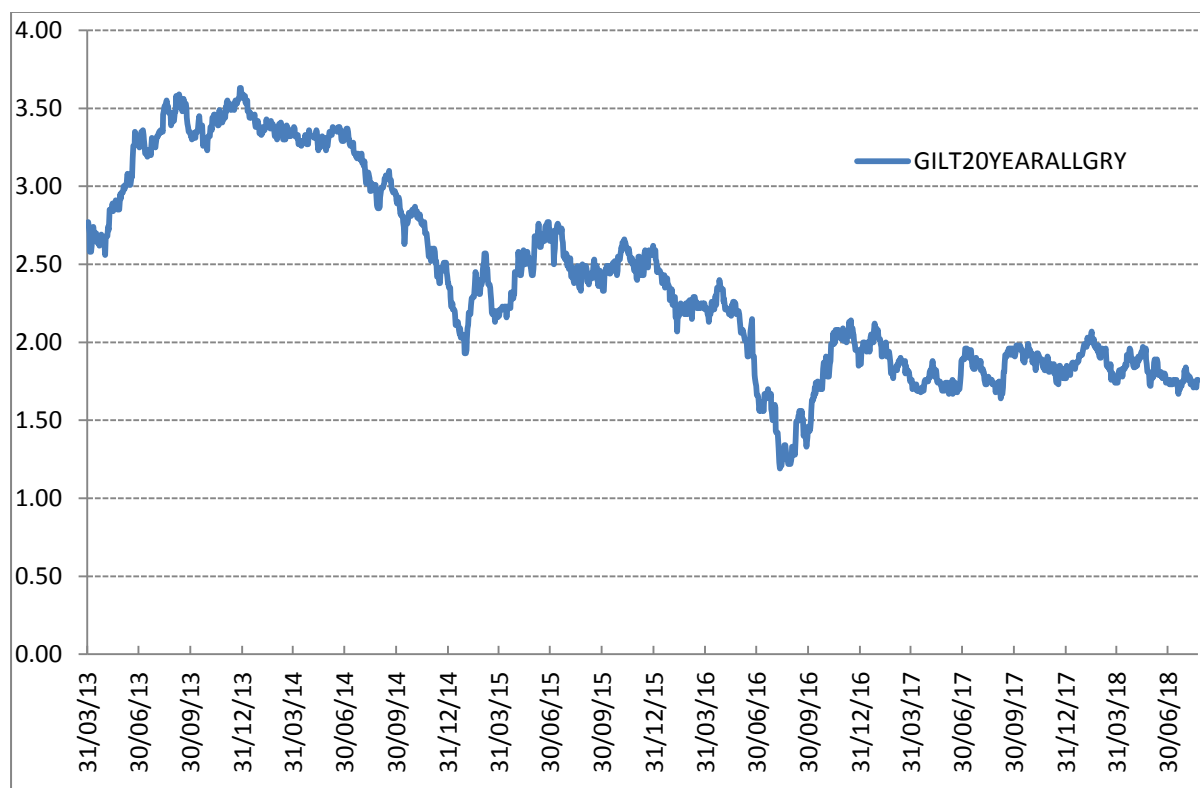
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## 20 year spot yield

The chart below shows the movement of the 20 year spot yield from 31 March 2013 to 23 August 2018. Yields ended the second quarter of 2018 at 1.76%, an increase from their 1.74% level at the end of Q1 2018. Yields rose over April and into mid-May but began to decrease towards the end of the month. Yields rose at the start of June before again declining through to the end of June. Since the end of Q2 2018 yields have remained flat around 1.76%.

20 year gilt spot yield



## Aon Hewitt views on bond yields

The table below sets out Aon's views versus the market in terms of spot and forward rates as at 07 August 2018.

### Summary of market spot and forward rates versus Aon's views

	07 August 2018	In 3 years			In 5 years		
	20 year Spot Rate	Market Pricing	Aon View	Diff	Market Pricing	Aon View	Diff
<b>Real</b>	-1.6%	-1.5%	-0.9%	+0.6%	-1.5%	-0.8%	+0.7%
<b>Nominal</b>	+1.8%	+2.0%	+2.7%	+0.7%	+2.1%	+2.8%	+0.8%
<b>Breakeven*</b>	+3.5%	+3.6%	+3.6%	0.0%	+3.6%	+3.6%	0.0%

\* Aon view on breakeven inflation includes an allowance for an inflation risk premium above expected inflation  
Totals may not sum exactly due to rounding

As shown by these figures, we believe that rates will rise faster than the market is indicating but believe that the market is accurately forecasting breakeven inflation expectations.

**Conclusion**

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The funding level rose over the quarter and long term bond yields remain at low levels. Aon believe that yields will rise faster than indicated by the market over the next three and five year period.

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

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