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

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Quarterly Trigger Monitoring – Q4 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 31 December 2018 was 76.4%, compared to 82.1% as at 30 September 2018 and 74.3% as at 31 March 2016.

31 December 2018	Ongoing Basis
Assets	£800m
Liabilities	£1,047m
Surplus (deficit)	(£247m)
Funding Level	76.4%

Source: Hymans Robertson

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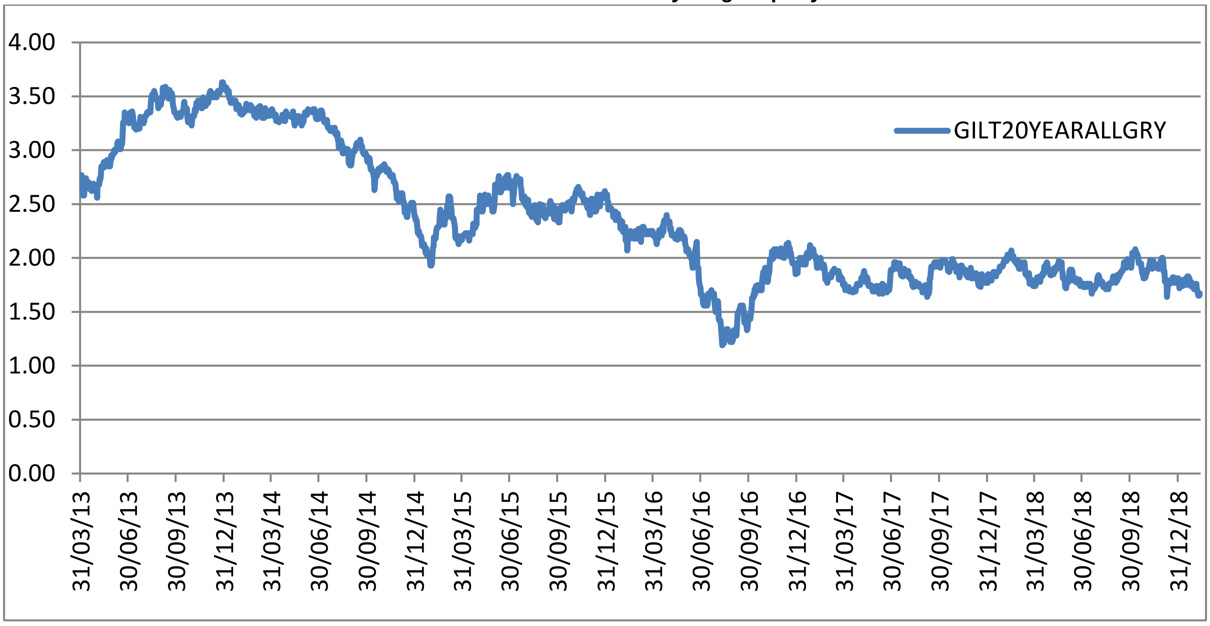
20 year spot yield

The chart below shows the movement of the 20 year spot yield from 31 March 2013 to 12 February 2019. Yields ended the fourth quarter of 2018 at 1.81%, a decrease from their 1.93% level at the end of Q3 2018. Yields fluctuated throughout October and November but remained relatively stable. At the start of December yields began to fall, reaching a low of 1.64% before making a recovery towards the end of December. Since the turn of the year yields have remained low, and have declining slightly in recent weeks.

20 year gilt spot yield



Aon views on bond yields

Given the uncertainty surrounding Brexit the 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 13 February 2019. 3 year market pricing is currently not available for real rate and breakeven inflation rates.

Summary of market spot and forward rates

	13 February 2019	**In 3 years**	**In 5 years**
	20 year Spot Rate	Market Pricing	Market Pricing
Real	-1.8%	N/A	-1.5%
Nominal	+1.7%	+1.9%	+2.0%
Breakeven*	+3.6%	N/A	+3.6%

*Totals may not sum exactly due to rounding

Conclusion

The funding level fell over the quarter whilst long term bond yields remain at low levels.

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

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