

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 – Q1 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 31 March 2019 was 77.2%, compared to 76.4% as at 31 December 2018 and 74.3% as at 31 March 2016.

31 March 2019	Ongoing Basis*
Assets	£851m
Liabilities	£1,102m
Surplus (deficit)	(£251m)
Funding Level	77.2%

* 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 31 March 2019 and updated actuarial assumptions will be provided later in 2019.



Source: Hymans Robertson

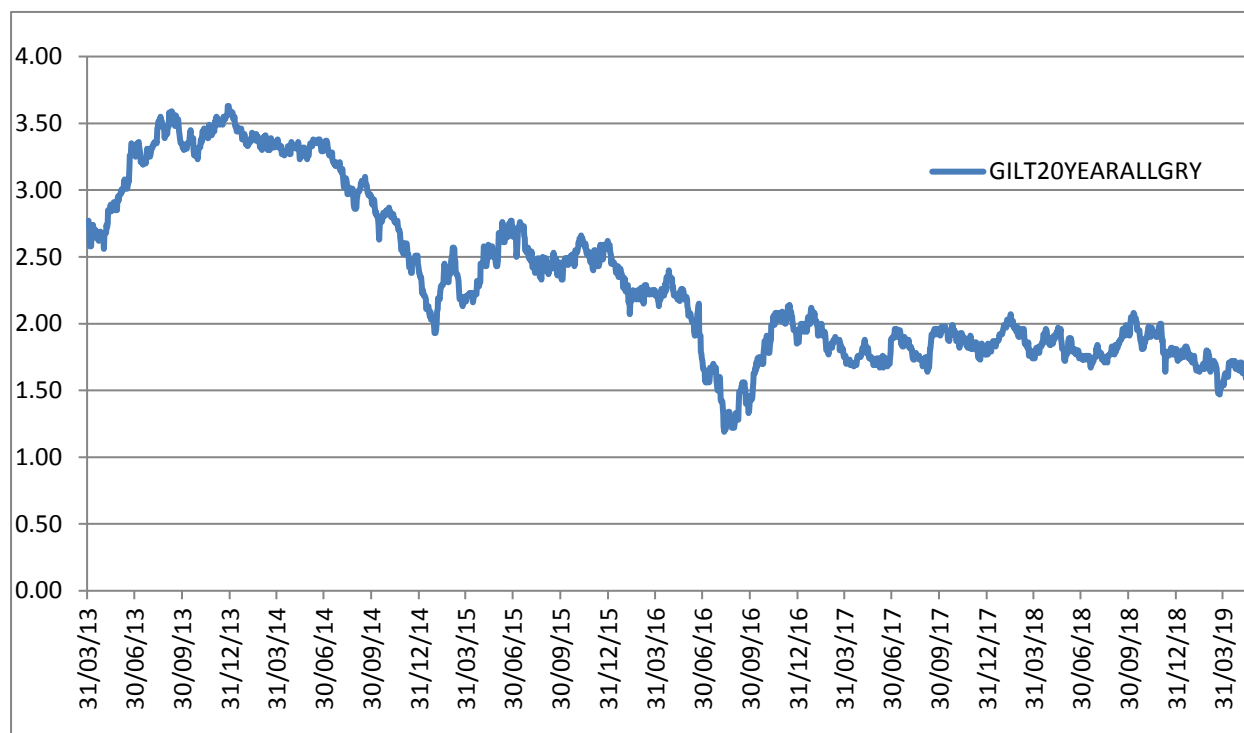
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20 year spot yield

The chart below shows the movement of the 20 year spot yield from 31 March 2013 to 2 June 2019. Yields ended the first quarter of 2019 at 1.54%, a decrease from their 1.81% level at the end of Q4 2018. Yields fluctuated throughout January before falling towards the end of the month and start of February. Yields then rose over February into March before declining once again. Since the end of the first quarter yields have remained low, 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 3 June 2019. 3 year market pricing is currently not available for real rate and breakeven inflation rates.

Summary of market spot and forward rates

	3 June 2019	In 3 years	In 5 years
	20 year Spot Rate	Market Pricing	Market Pricing
Real	-2.1%	N/A	-1.8%
Nominal	+1.5%	+1.7%	+1.8%
Breakeven*	+3.6%	N/A	+3.6%

*Totals may not sum exactly due to rounding

Conclusion

The funding level increased 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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