

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

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Prepared for: Pension Fund Committee ('the Committee')
Prepared by: Colin Cartwright
Joseph Peach

Quarterly Trigger Monitoring – Q3 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 2019.

The funding level as at 30 September 2019 was 91.3%, compared to 94.2% as at 31 March 2019.

30 September 2019	Ongoing Basis*
Assets	£892m
Liabilities	£977m
Surplus (deficit)	(£85m)
Funding Level	91.3%

*This funding update is provided to illustrate the estimated development of the funding position from 31 March 2019 to 30 September 2019. Source: Hymans Robertson



Source: Hymans Robertson

The Aon Centre | The Leadenhall Building | 122 Leadenhall Street | London | EC3V 4AN
t +44 (0) 20 7086 8000 | f +44 (0) 20 7621 1511 | aon.com

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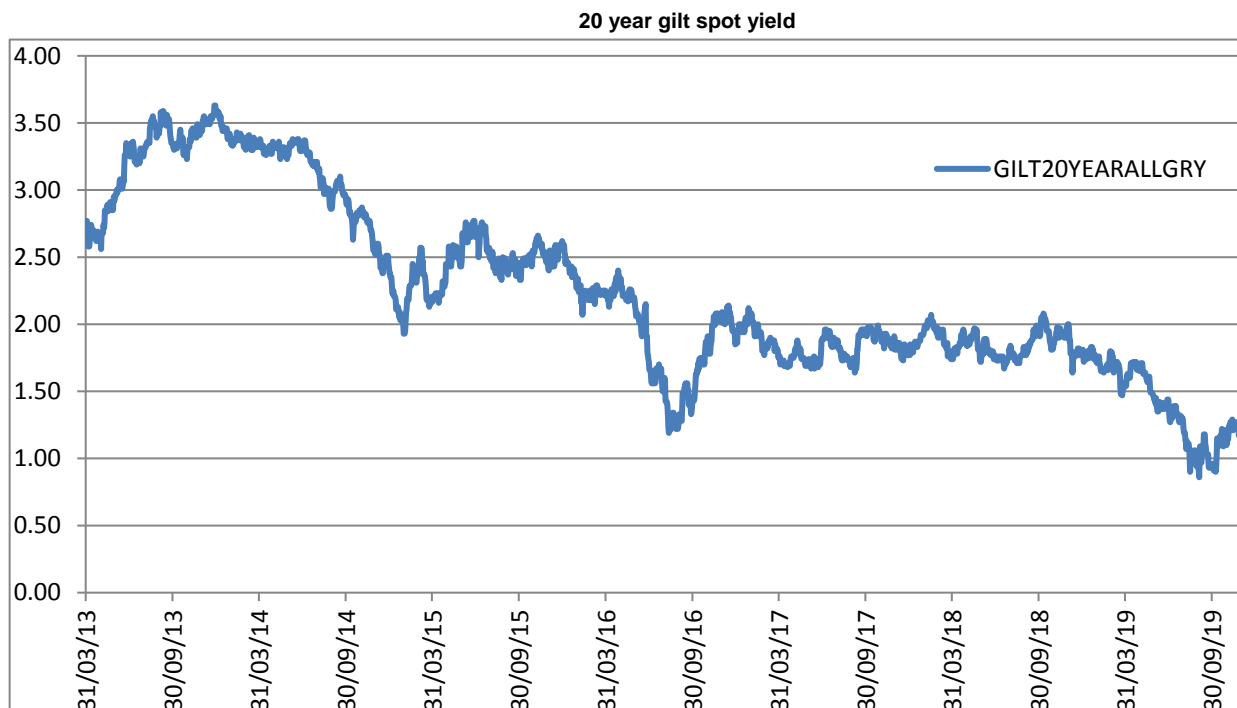
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20 year spot yield

The chart below shows the movement of the 20 year spot yield from 31 March 2013 to 21 November 2019. Yields ended the third quarter of 2019 at 0.95%, a decrease from their 1.44% level at the end of Q2 2019. Yields initially fluctuated in July but ended the month lower. Yields continued to fall over the course of August and before starting to rise at the start of September and falling again towards the end of the month. Since the end of the third quarter yields have started trending upward, reaching a peak of 1.29% on 12 November 2019.



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 22 November 2019.

Summary of market spot and forward rates

	22 November 2019	In 3 years	In 5 years
	20 year Spot Rate	Market Pricing	Market Pricing
Real	-2.0%	-1.8%	-1.7%
Nominal	+1.3%	+1.5%	+1.6%
Breakeven Inflation*	+3.4%	+3.4%	+3.3%

*Totals may not sum exactly due to rounding

Conclusion

The funding level decreased over the quarter whilst long term bond yields have continued to fall to even lower levels. Post quarter-end, bond yields have started to rise.

As the Fund is currently undertaking an Investment Strategy Review, no immediate de-risking actions are recommended at the current time.

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