




# Clwyd Pension Fund Risk management framework monitoring report

March 2015

Adam Lane, FIA  
Paul Middleman, FIA

# Clwyd Pension Fund

## Executive summary

 = as per expectations  = to be kept under review  = action required



### Overall funding position

- Currently behind existing recovery plan but within acceptable limits
- Funding level below the first de-risking trigger

No action required



### Liability hedging mandate

- Insight in compliance with investment guidelines
- All triggers implemented as expected where practically possible
- Performance in line with expectations

No action required



### Synthetic equity mandate

- Insight in compliance with investment guidelines
- Performance in line with expectations
- Maturity constraints as expected

No action required



### Collateral and counterparty position

- Collateral within agreed constraints
- The Insight QIF can sustain at least a 1.5% rise in yields and a 50% fall in equity markets before requiring further collateral

No action required



### LIBOR Plus Fund

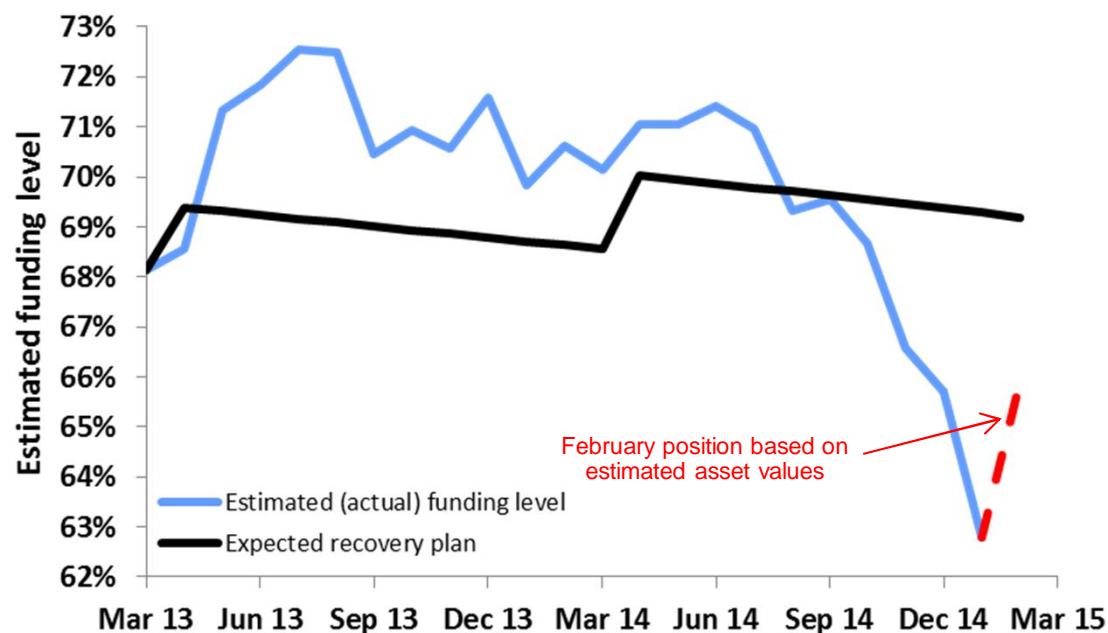
- Fund is ahead of performance target net of fees since inception
- Management team stable and no change in manager rating
- Allocation of £50m (plus growth) remains appropriate

No action required

# Clwyd Pension Fund

## Funding level monitoring to 28 February 2015

### Estimated funding position since 31 March 2013



### Comments

The **black line** shows a projection of the funding level from the 31 March 2013 based on the assumptions (and contributions) outlined in the actuarial valuation.

The **blue line** shows an estimate of the progression of actual funding level from 31 March 2013. This shows that the Fund was behind the funding plan at 28 February 2015 by around 3%.

At the 28 February 2015, we estimate that the funding level and deficit was as follows:

**66% (£702m\*)**

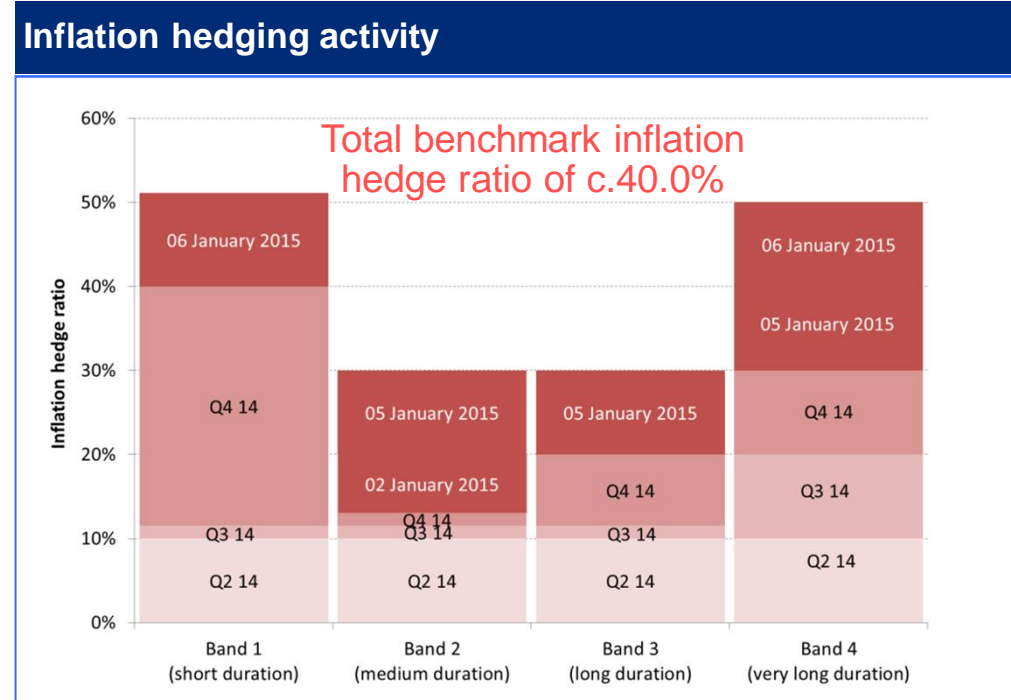
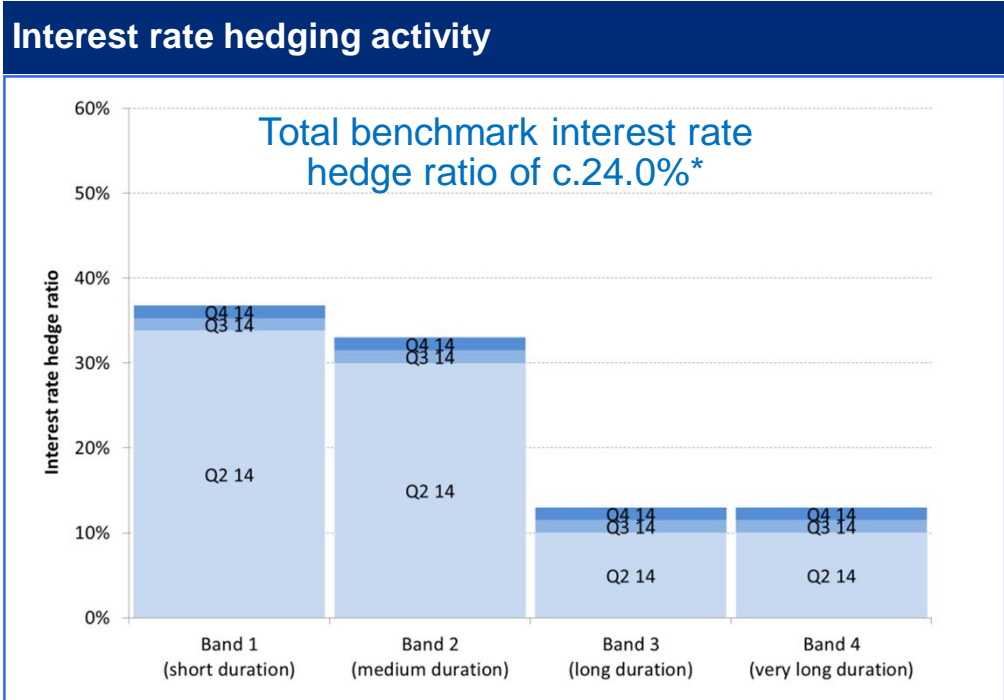
**Action:** No action required. The funding level is below the first funding level trigger which is set at 80% (please see the table below).

	Funding level	Impact on strategic asset allocation	Change to the hedge ratio
<b>28 February 2015</b>	<b>66%</b>	<b>No action</b>	<b>No action</b>
Funding level Trigger 1	80%	Reduce the Insight equity exposure by 50%	Increase hedge ratio to 40%
Funding level Trigger 2	85%	Remove the Insight equity exposure	Increase hedge ratio to 50%
Funding level Trigger 3	90%	Increase Insight allocation from 19% of assets to 25%	Increase hedge ratio to 60%
Funding level Trigger 4	95%	Increase Insight allocation from 25% of assets to 30%	Increase hedge ratio to 70%
Funding level Trigger 5	100%	Increase Insight allocation from 30% of assets to 35%	Increase hedge ratio to 80%

\*Asset values estimated based on market indices and an estimate of performance of the Insight liability hedging mandate from 31 January 2015 to 28 February 2015. We will monitor this estimate over time against the actual position once final asset values are available, and have now updated the asset values as at the end of January.

# Clwyd Pension Fund

## Update on liability hedging (Source: Insight Investment)



	Date	Band 1	Band 2	Band 3	Band 4
Start position	31 January	36.8%	33.0%	13.0%	13.0%
	-	-	-	-	-
End position	28 February	36.8%	33.0%	13.0%	13.0%

	Date	Band 1	Band 2	Band 3	Band 4
Start position	31 January	51.1%	30.0%	30.0%	50.0%
	-	-	-	-	-
End position	28 February	51.1%	30.0%	30.0%	50.0%

No hedging activity occurred over February 2015.

\*Estimate assuming equal risk weightings across maturity bands

# Clwyd Pension Fund

## Important notices

References to Mercer shall be construed to include Mercer LLC and/or its associated companies.

© 2015 Mercer LLC. All rights reserved.

This contains confidential and proprietary information of Mercer and is intended for the exclusive use of the parties to whom it was provided by Mercer. Its content may not be modified, sold or otherwise provided, in whole or in part, to any other person or entity, without Mercer's prior written permission.

The findings, ratings and/or opinions expressed herein are the intellectual property of Mercer and are subject to change without notice. They are not intended to convey any guarantees as to the future performance of the investment products, asset classes or capital markets discussed. Past performance does not guarantee future results. Mercer's ratings do not constitute individualised investment advice.

Information contained herein has been obtained from a range of third party sources. While the information is believed to be reliable, Mercer has not sought to verify it independently. As such, Mercer makes no representations or warranties as to the accuracy of the information presented and takes no responsibility or liability (including for indirect, consequential or incidental damages), for any error, omission or inaccuracy in the data supplied by any third party.

This does not constitute an offer or a solicitation of an offer to buy or sell securities, commodities and/or any other financial instruments or products or constitute a solicitation on behalf of any of the investment managers, their affiliates, products or strategies that Mercer may evaluate or recommend.

For the most recent approved ratings of an investment strategy, and a fuller explanation of their meanings, contact your Mercer representative.

For Mercer's conflict of interest disclosures, contact your Mercer representative or see [www.mercer.com/conflictsofinterest](http://www.mercer.com/conflictsofinterest).



Mercer Limited is authorised and regulated by the Financial Conduct Authority

Registered in England No. 984275 Registered Office: 1 Tower Place West, Tower Place, London EC3R 5BU