

HEALTH WEALTH CAREER

CLWYD PENSION FUND

RISK MANAGEMENT FRAMEWORK MONTHLY MONITORING REPORT

October 2015

Paul Middleman
Adam Lane

EXECUTIVE SUMMARY



= as per expectations



= to be kept under review



= action required



Overall funding position

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

The position needs to be monitored closely given it is behind target and action may be required. This will be discussed as part of the 2015 funding review



Liability hedging mandate

- Insight in compliance with investment guidelines
- Performance in line with expectations

No immediate 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 1.25% rise in interest rates and inflation in combination with a 35% fall in equity markets before requiring further collateral

No action required



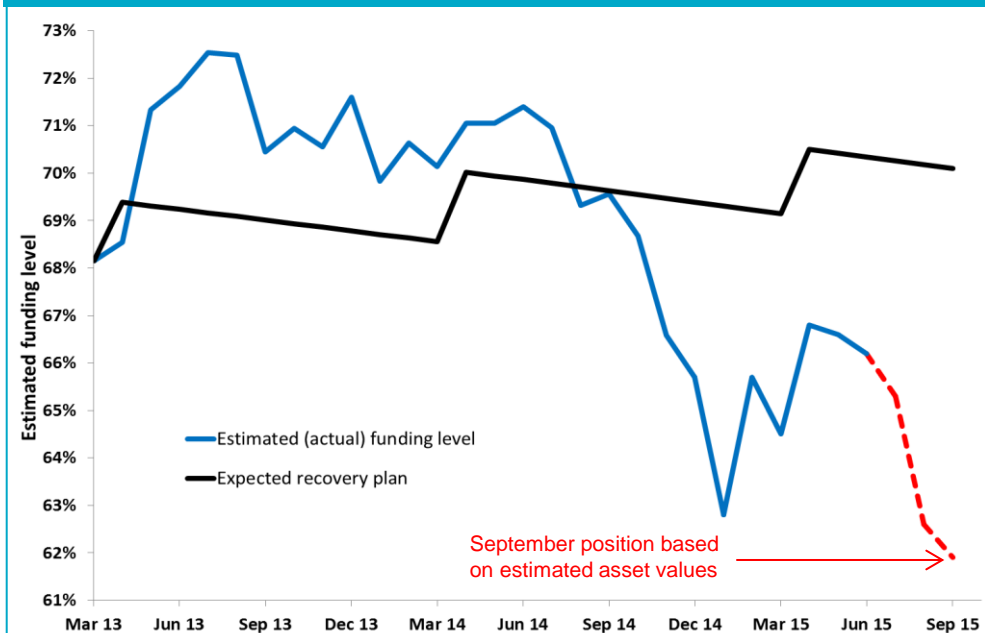
LIBOR Plus Fund

- 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

FUNDING LEVEL MONITORING TO 30 SEPTEMBER 2015

Estimated funding position since 31 March 2013



Comments

The **black line** shows a projection of the *expected* funding level from the 31 March 2013 based on the assumptions (and contributions) outlined in the actuarial valuation. The *expected* funding level at 30 September was around 70%.

The **blue line** shows an estimate of the progression of the *actual* funding level from 31 March 2013. At the 30 September 2015, we estimate that the *actual* funding level and deficit was as follows:

62% (£821m*)

This shows that the Fund was behind the expected funding level at 30 September 2015 by around 8%.

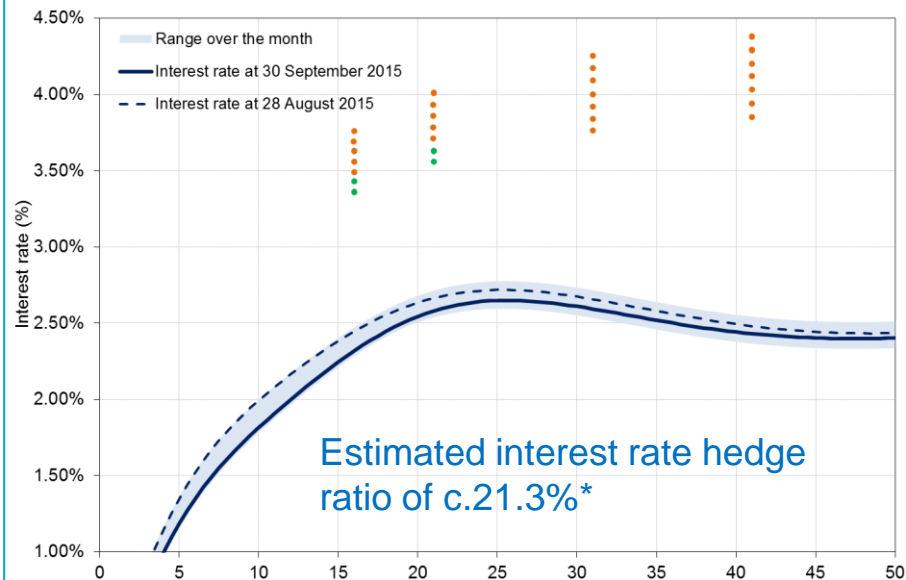
The funding level is currently below the first funding level trigger which is set at 80% (please see the table below).

	Funding level	Impact on strategic asset allocation	Change to the hedge ratio
30 September 2015	62%	No action	No action
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 30 June 2015 to 30 September 2015. We will monitor this estimate over time against the actual position once final asset values are available, and update the asset values on a quarterly basis.

UPDATE ON LIABILITY HEDGING

Interest rate hedging activity



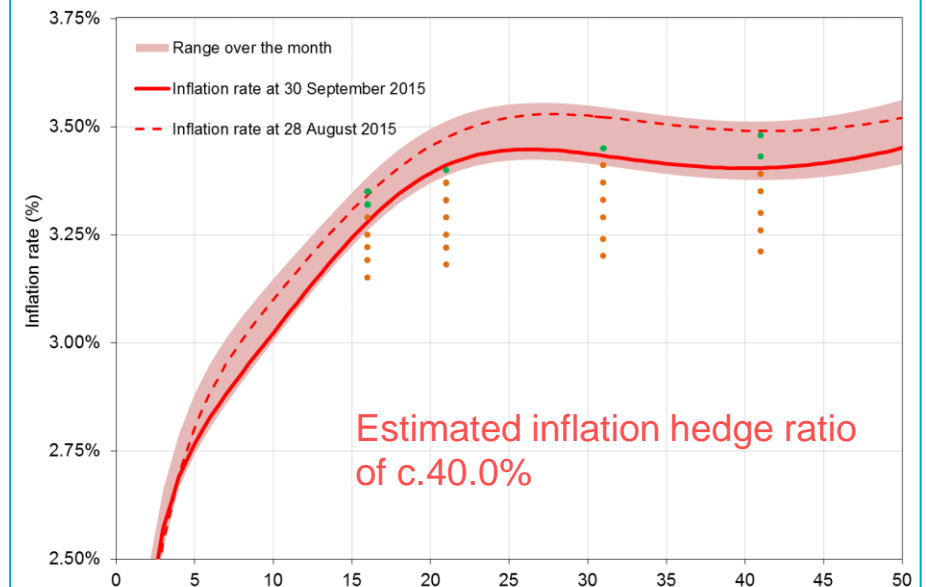
*based on benchmark position at 30 June 2015

● Triggers transacted ● Triggers not transacted

	Band 1	Band 2	Band 3	Band 4
Hedge ratio at 30 September	36.8%	33.0%	13.0%	13.0%

- No interest rate hedging activity occurred over September 2015.
- Interest rates remained fairly stable at longer durations at the month end compared to 28 August 2015.
- Falls of up to 0.2% were observed at shorter durations over the month.

Inflation hedging activity



● Triggers transacted ● Triggers not transacted

	Band 1	Band 2	Band 3	Band 4
Hedge ratio at 30 September	51.1%	30.0%	30.0%	50.0%

- No inflation hedging activity occurred during September.
- Inflation expectations fell at all but the shortest durations by up to 0.1% over the month.

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