

HEALTH WEALTH CAREER

CLWYD PENSION FUND

RISK MANAGEMENT FRAMEWORK MONTHLY MONITORING REPORT

February 2016

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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 will be required. This has been discussed and it has been agreed that an updated funding assumption will be considered as part of the 2016 valuation.



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.

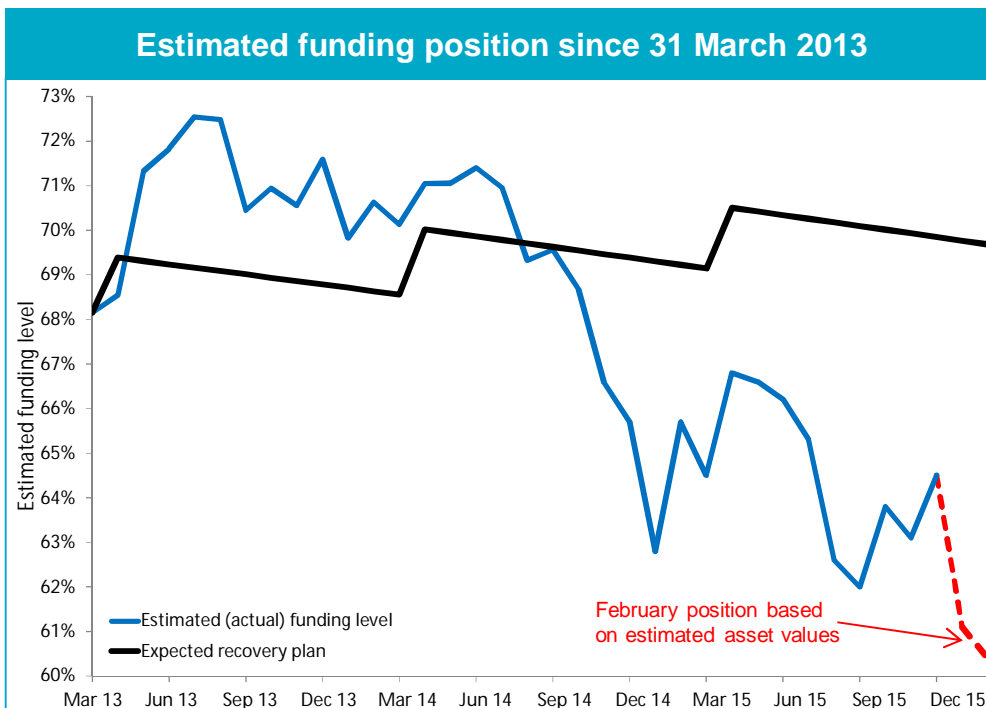


LIBOR Plus Fund

- Fund is ahead of performance target 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 29 FEBRUARY 2016



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 29 February 2016 was around 70%.

The **blue line** shows an estimate of the progression of the *actual* funding level from 31 March 2013 to 31 December 2015 and the **red dashed line** shows the progression of the funding level over the period since December. At 29 February 2016, we estimate that the *actual* funding level and deficit was as follows:

60% (£886m*)

This shows that the Fund's position was behind the expected funding level at 29 February 2016 by around 9%.

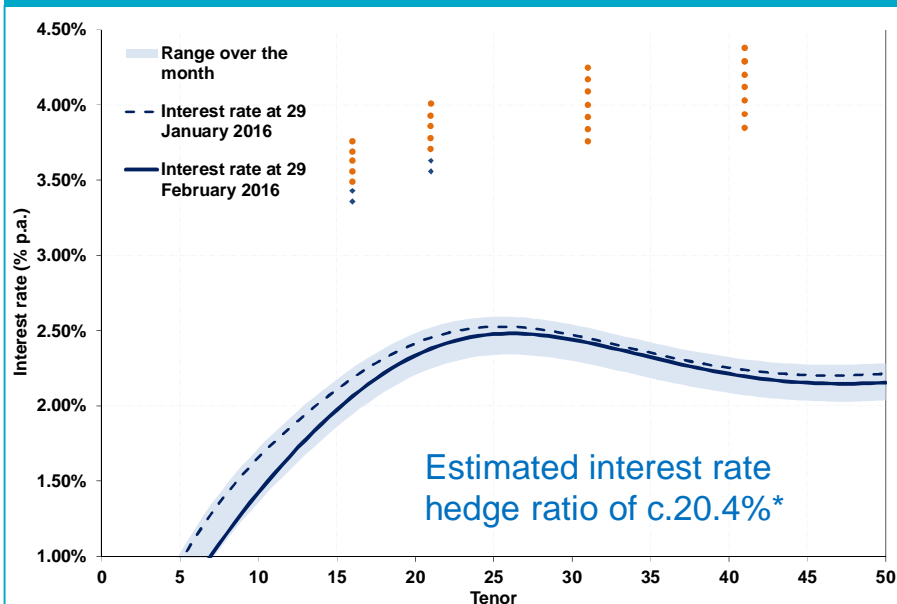
The funding level is currently below the first funding level trigger which is set at 80% (please see the table below).

	Funding level	Impact on strategic asset allocation	Change to the hedge ratio
29 February 2016	60%	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 31 December 2015 to 29 February 2016. 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



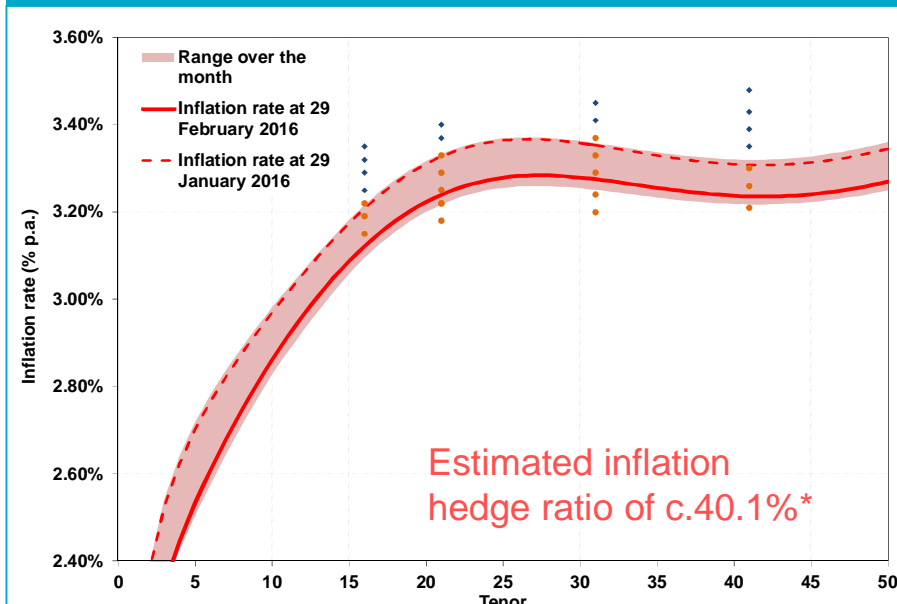
* based on benchmark position at 31 December 2015

◆ Triggers transacted ● Triggers not transacted

	Band 1	Band 2	Band 3	Band 4
Hedge ratio at 31 February 2016	36.8%	33.0%	13.0%	13.0%

- No interest rate hedging activity occurred over February 2016.
- Interest rates decreased over all durations over the month. Decreases of up to c.0.3% were observed at shorter durations.

Inflation hedging activity (note: different scale)



* based on benchmark position at 31 December 2015

◆ Triggers transacted ● Triggers not transacted

	Band 1	Band 2	Band 3	Band 4
Hedge ratio at 31 February 2016	51.1%	30.0%	30.0%	50.0%

- No inflation hedging activity occurred over February 2016 as the hedge ratio remains at its initial maximum permissible level of c.40%.
- Inflation rates decreased at all durations over the month compared to the end of January 2016. Maximum decreases of c.0.2% were seen at shorter durations.

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