

HEALTH WEALTH CAREER

CLWYD PENSION FUND

RISK MANAGEMENT FRAMEWORK MONTHLY MONITORING REPORT

May 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 flightpath framework is being reviewed as part of the valuation

The review of the flightpath framework and funding assumptions are being considered as part of the 2016 actuarial valuation. This is expected to have a positive effect on the funding position based on preliminary discussions.



Liability hedging mandate

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

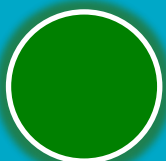
No action required.



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 1.25% rise in interest rates and inflation in combination with a 35% fall in equity markets before requiring further collateral

No action required.



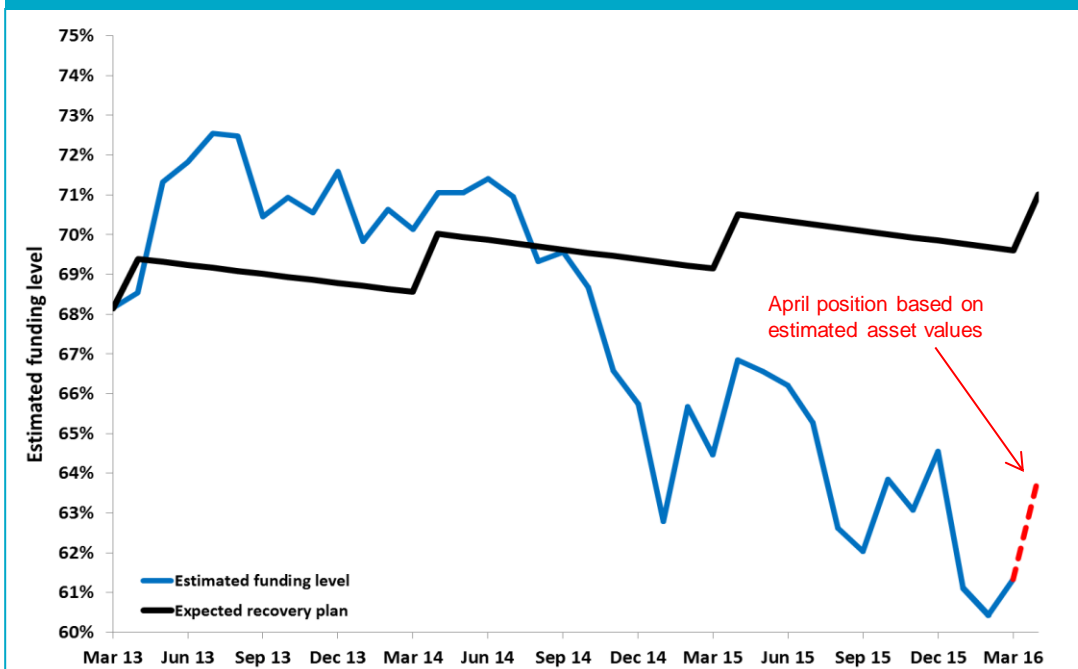
LIBOR Plus Fund

- 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 30 APRIL 2016

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 2013 actuarial valuation. The *expected* funding level at 30 April 2016 was around 71%.

The **blue line** shows an estimate of the progression of the funding level from 31 March 2013 to 31 March 2016. The **red dashed line** shows the progression of the funding level over the period since March. At 30 April 2016, we estimate the funding level and deficit to be:

64% (£799m*)

This shows that the Fund's position was behind the expected funding level at 30 April 2016 by around 7% on the current funding basis.

The funding level is currently below the first funding level trigger which is set at 80% (see table to the left hand side).

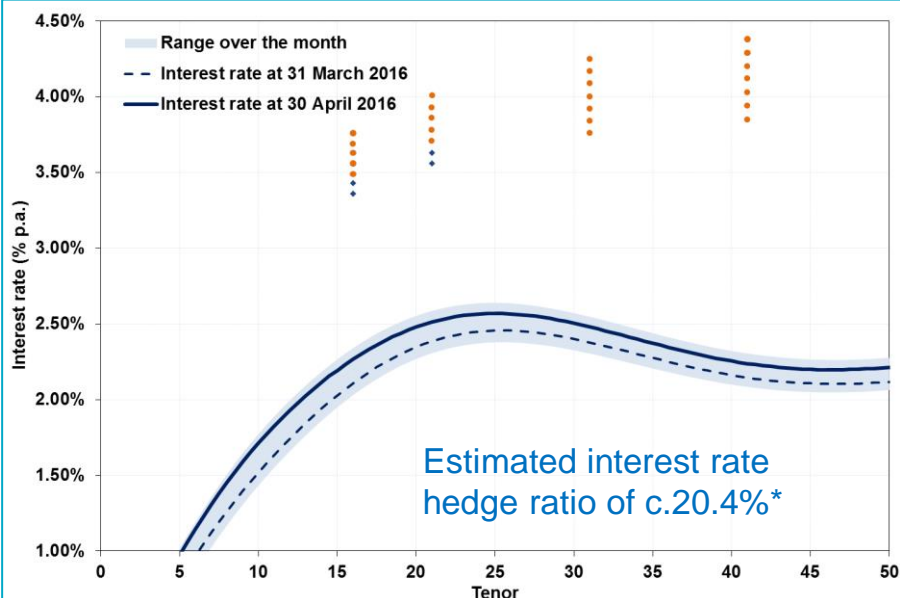
The review of the flightpath framework and Funding assumptions are being considered as part of the 2016 actuarial valuation. This is expected to have a positive effect on the funding position based on preliminary discussions.

	Funding level	Impact on strategic asset allocation	Change to the hedge ratio
30 April 2016	64%	No action	No action
Trigger 1	80%	Reduce Insight equity exposure by 50%	Increase to 40%
Trigger 2	85%	Remove Insight equity exposure	Increase to 50%
Trigger 3	90%	Increase Insight allocation from 19% of assets to 25%	Increase to 60%
Trigger 4	95%	Increase Insight allocation from 25% of assets to 30%	Increase to 70%
Trigger 5	100%	Increase Insight allocation from 30% of assets to 35%	Increase to 80%

*Asset values estimated based on market indices and an estimate of performance of the Insight liability hedging mandate from 31 March 2016 to 30 April 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



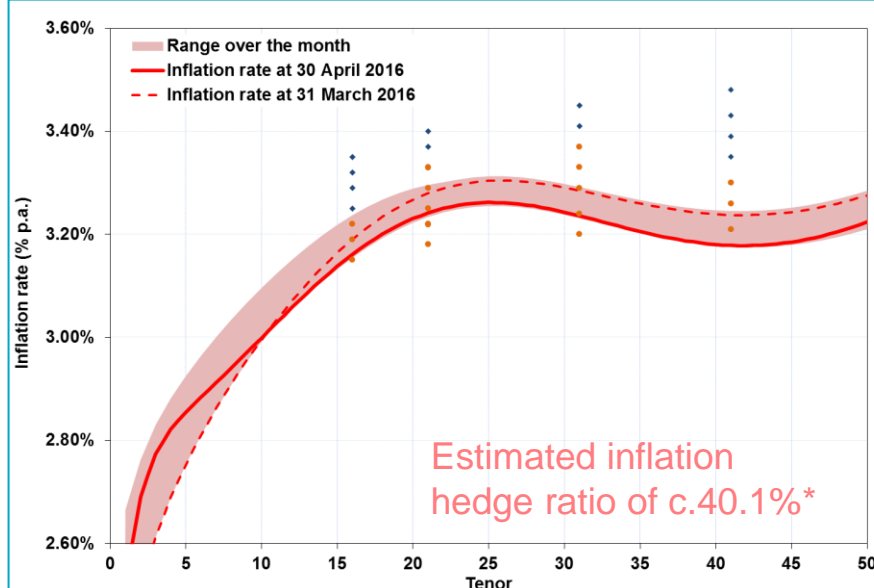
* based on benchmark position at 31 December 2015.

◆ Triggers transacted ● Triggers not transacted

	Band 1	Band 2	Band 3	Band 4
Hedge ratio at 30 April 2016	36.8%	33.0%	13.0%	13.0%

- No interest rate hedging activity occurred over April 2016.
- Increases in interest rates of c.0.1% were observed across the curve over the month.

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 30 April 2016	51.1%	30.0%	30.0%	50.0%

- No inflation hedging activity occurred over March 2016 as the hedge ratio remains at its initial maximum permissible level of c.40%.
- Inflation expectations increased at short durations, with increases of up to c.0.2%.
- Inflation expectations fell at medium to long durations.

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