

# Clwyd Pension Fund Risk management framework monthly monitoring report

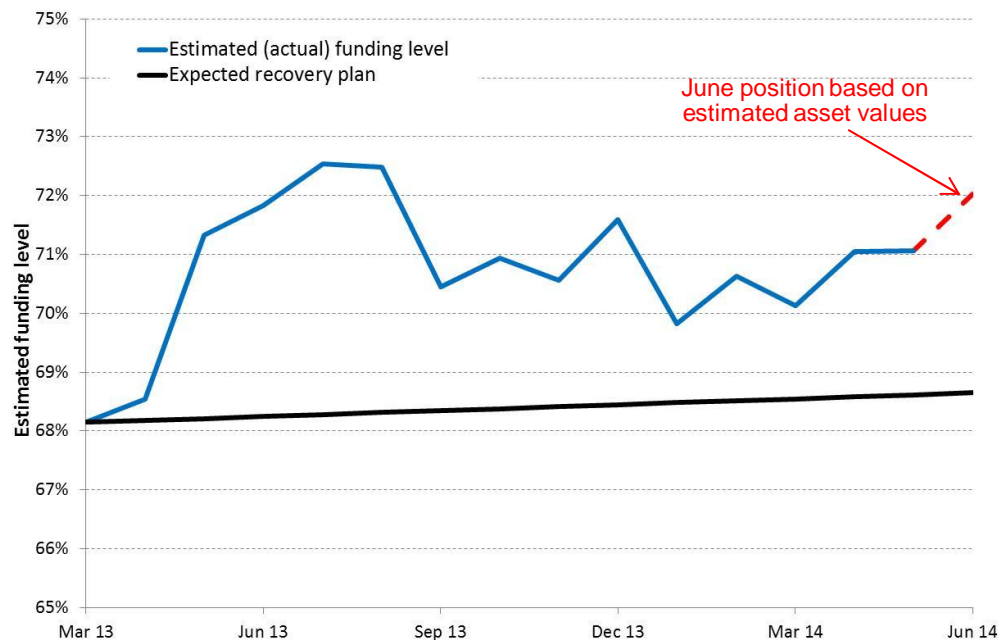
July 2014

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# Clwyd Pension Fund

## Funding level monitoring to 30 June 2014

### 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 is currently ahead of the funding plan at 30 June 2014.

At the 30 June 2014 we estimate that the funding level and deficit was as follows:

# 72% (£492m\*)

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

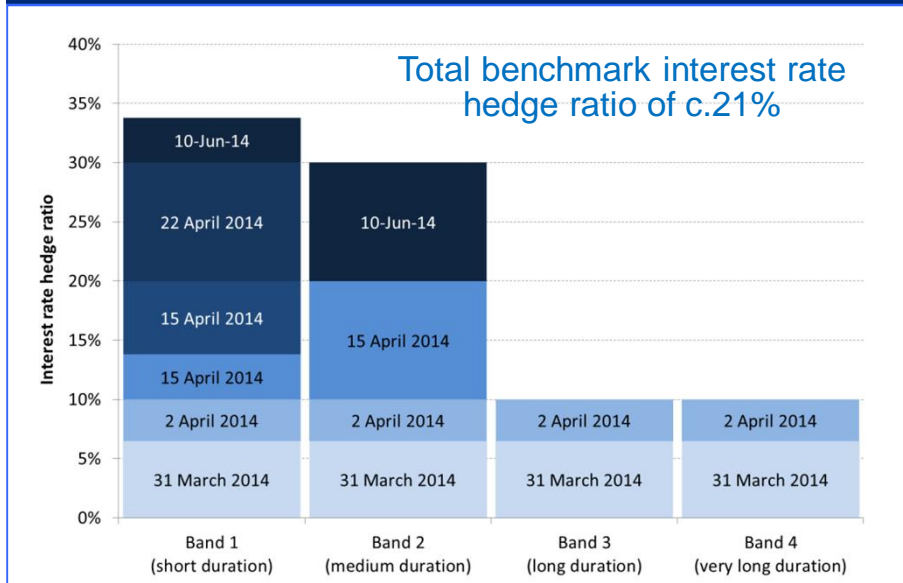
|                         | Funding level | Impact on strategic asset allocation                  | Change to the hedge ratio   |
|-------------------------|---------------|---|-----------------------------|
| <b>30 June 2014</b>     | <b>72%</b>    | <b>No action</b>                                      | <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 the performance of the Insight liability hedging mandate from 31 May 2014 to 30 June 2014. We will monitor this estimate over time against the actual position once final asset values are available.

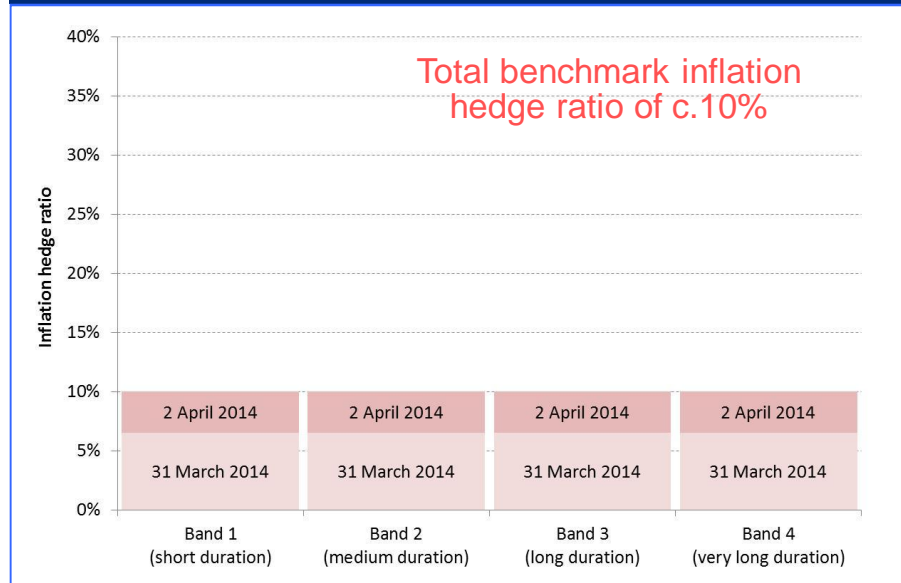
# Clwyd Pension Fund

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

### Interest rate hedging activity



### Inflation hedging activity



|                       | Date            | Band 1       | Band 2      | Band 3      | Band 4      |
|-----------------------|-----------------|--------------|-------------|-------------|-------------|
| <b>Start position</b> | <b>31 March</b> | <b>6.5%</b>  | <b>6.5%</b> | <b>6.5%</b> | <b>6.5%</b> |
| Restructuring         | 2 April         | +3.5%        | +3.5%       | +3.5%       | +3.5%       |
| Trigger 1             | 15 April        | +10%         | +10%        | -           | -           |
| Trigger 2             | 22 April        | +10%         | -           | -           | -           |
| Trigger 3             | 10 June         | +3.8%        | +10%        | -           | -           |
| <b>End position</b>   | <b>30 June</b>  | <b>33.8%</b> | <b>30%</b>  | <b>10%</b>  | <b>10%</b>  |

|                       | Date            | Band 1      | Band 2      | Band 3      | Band 4      |
|-----------------------|-----------------|-------------|-------------|-------------|-------------|
| <b>Start position</b> | <b>31 March</b> | <b>6.5%</b> | <b>6.5%</b> | <b>6.5%</b> | <b>6.5%</b> |
| Restructuring         | 2 April         | +3.5%       | +3.5%       | +3.5%       | +3.5%       |
|                       | -               | -           | -           | -           | -           |
|                       | -               | -           | -           | -           | -           |
|                       | -               | -           | -           | -           | -           |
| <b>End position</b>   | <b>30 Jun</b>   | <b>10%</b>  | <b>10%</b>  | <b>10%</b>  | <b>10%</b>  |

In June 2014 the interest rate hedge ratio was increased to 30% in band 2 (medium duration). Due to the impact of coupon payments of gilts at this duration the hedge ratio in band 1 (short duration) increased by c.3.8% (as expected). We will provide more detailed analysis of the above triggers in our full quarterly monitoring report. There was no inflation hedging activity other than the initial restructuring in March and April.

# Clwyd Pension Fund

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