

Clwyd Pension Fund Risk management framework monthly monitoring report

January 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 the existing recovery plan
- Funding level below the first de-risking trigger

No immediate action required although the position needs to be monitored closely



Liability hedging mandate

- Insight in compliance with investment guidelines
- All triggers implemented as expected
- 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

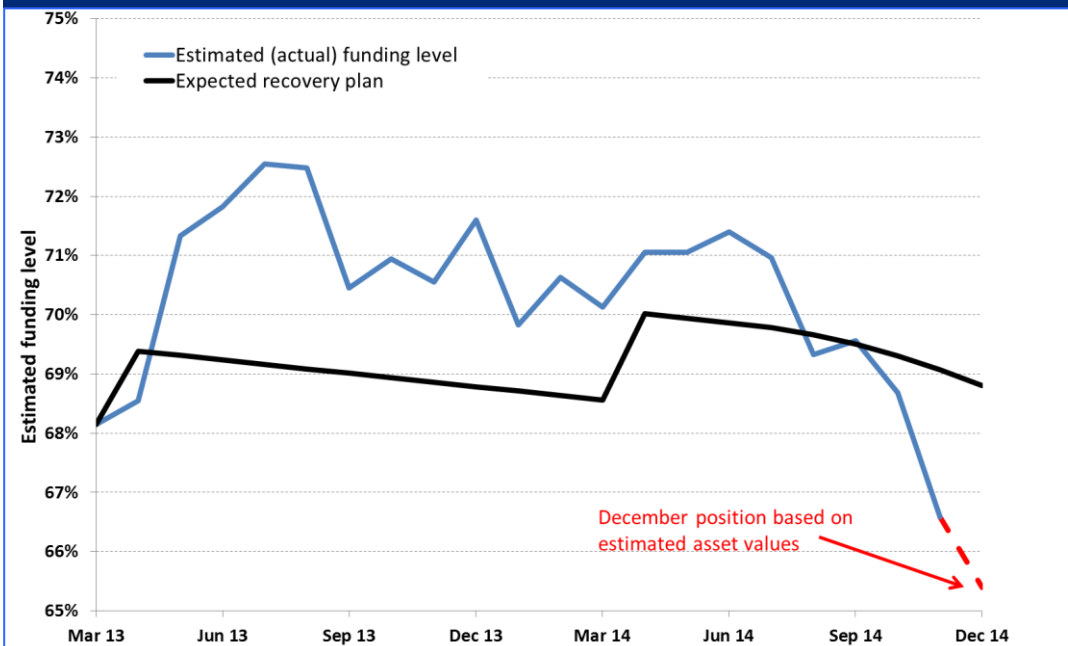
- Fund is ahead of performance target net of fees since inception
- Management team stable and no change in manager rating
- Allocation of £50m (plus growth) remains appropriate

No action required

Clwyd Pension Fund

Funding level monitoring to 31 December 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 was behind the funding plan at 31 December 2014.

At the 31 December 2014, we estimate that the funding level and deficit was as follows:

66% (£700m*)

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).

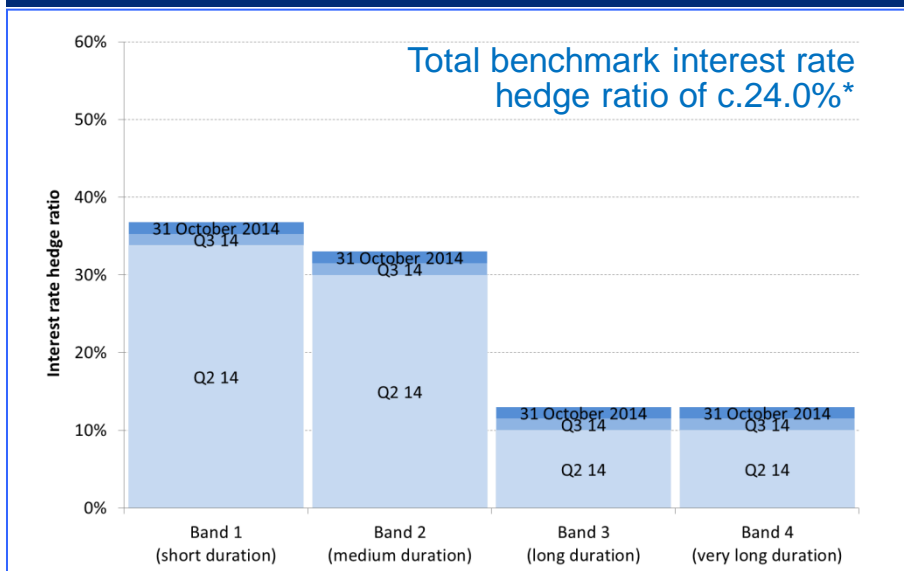
	Funding level	Impact on strategic asset allocation	Change to the hedge ratio
31 December 2014	66%	No action	No action
Funding level Trigger 1	80%	Reduce the Insight equity exposure by 50%	Increase hedge ratio to 40%
Funding level Trigger 2	85%	Remove the Insight equity exposure	Increase hedge ratio to 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 value of £1,343m at 31 December 2014 provided by JLT on 16 January 2015.

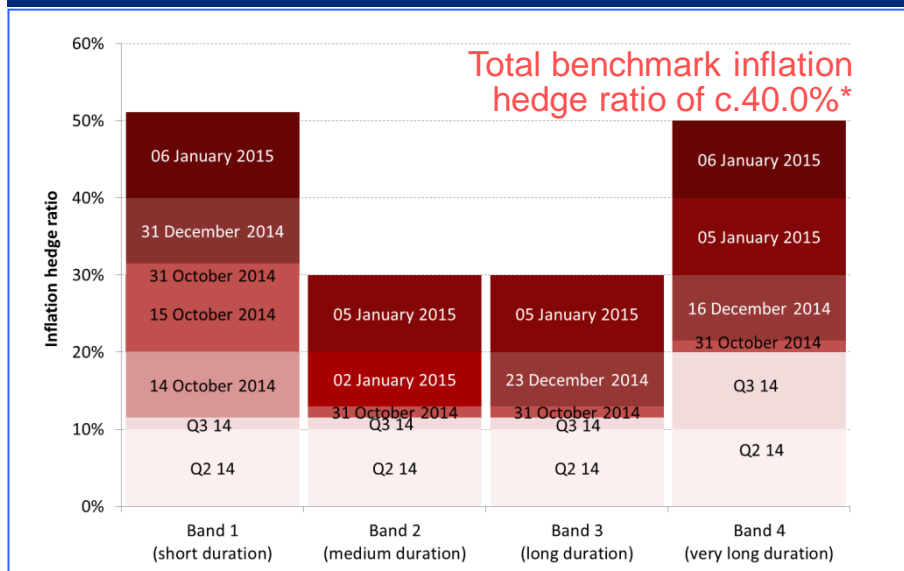
Clwyd Pension Fund

Update on liability hedging (Source: Insight Investment)

Interest rate hedging activity



Inflation hedging activity



	Date	Band 1	Band 2	Band 3	Band 4
Start position	30 November	36.8%	33.0%	13.0%	13.0%
	-	-	-	-	-
	-	-	-	-	-
	-	-	-	-	-
End position	31 December	36.8%	33.0%	13.0%	13.0%
	-	-	-	-	-
	-	-	-	-	-
	-	-	-	-	-

	Date	Band 1	Band 2	Band 3	Band 4
Start position	30 November	31.5%	13.0%	13.0%	21.5%
	16 December	-	-	-	+8.5%
	23 December	-	-	+7.0%	-
	31 December	+8.5%	-	-	-
End position	31 December	40.0%	13.0%	20.0%	30.0%
	02 January	-	+7.0%	-	-
	05 January	-	+10.0%	+10.0%	+10.0%
	06 January	+11.1%	-	-	+10.0%

During the month of December, several inflation triggers were breached and approximately £174k of IE01 (inflation sensitivity) exposure was added to the portfolio via inflation swaps. An additional £425k of IE01 exposure was added in the same way during the first week of January.

*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.



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