




Clwyd Pension Fund Risk management framework monthly monitoring report for Committee

May 2015

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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 immediate action required although may wish to consider amending the mandate



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

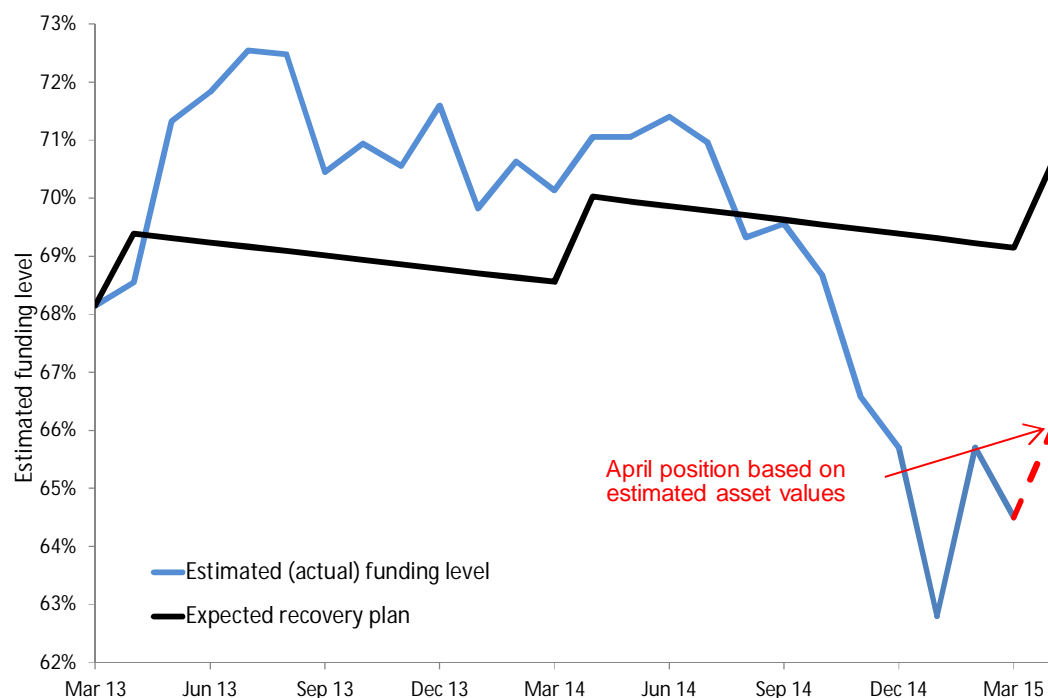
- Fund is ahead of performance target net of fees since inception
- Management team stable and no change in manager rating
- Allocation of £50m (plus growth) remains appropriate

No action required

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Funding level monitoring to 30 April 2015

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 30 April 2015 by around 4.5%.

At the 30 April 2015, we estimate that the funding level and deficit was as follows:

66% (£721m*)

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

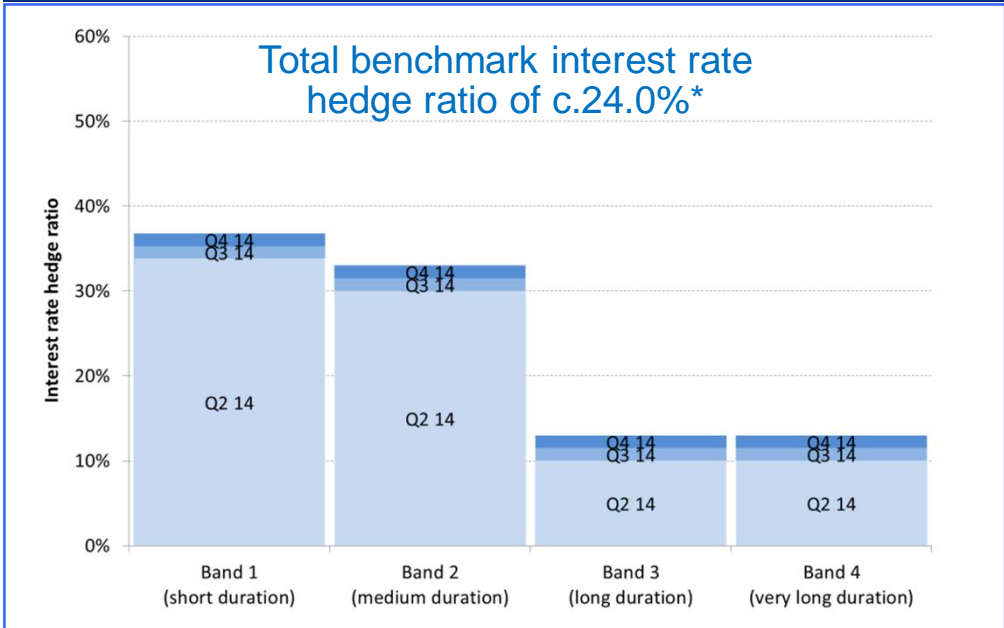
	Funding level	Impact on strategic asset allocation	Change to the hedge ratio
30 April 2015	66%	No action	No action
Funding level Trigger 1	80%	Reduce the Insight equity exposure by 50%	Increase hedge ratio to 40%
Funding level Trigger 2	85%	Remove the Insight equity exposure	Increase hedge ratio to 50%
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 values estimated based on market indices and an estimate of performance of the Insight liability hedging mandate from 31 March 2015 to 30 April 2015 with an allowance for expected deficit reduction contributions received over the month. We will monitor this estimate over time against the actual position once final asset values are available, and have now updated the asset values as at the end of March.

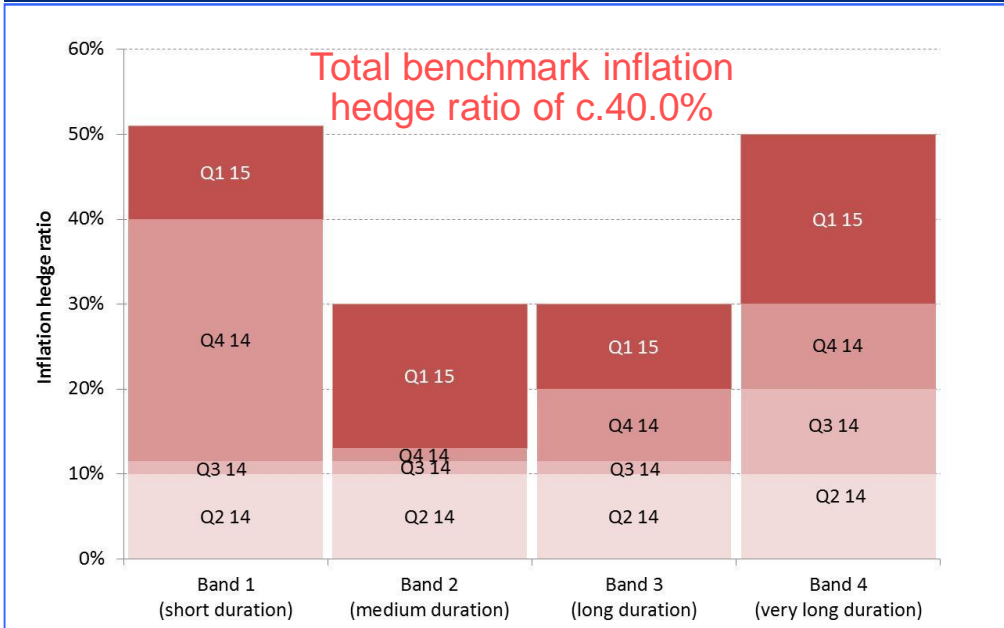
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Update on liability hedging (Source: Insight Investment)

Interest rate hedging activity



Inflation hedging activity



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

	Date	Band 1	Band 2	Band 3	Band 4
Start position	31 March	51.1%	30.0%	30.0%	50.0%
	-	-	-	-	-
End position	30 April	51.1%	30.0%	30.0%	50.0%

No hedging activity occurred over April 2015.

*Estimate assuming equal risk weightings across maturity bands

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