



welcome to brighter

ALM Summary PUB Hearings

MPI Asset Liability Study

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A business of Marsh McLennan

Overview of study



1. IFRS 9 and 17
2. Merits of adding new fixed income asset classes
3. Merits of adding non-fixed income asset classes for long tail Basic liabilities
4. Interest rate risk management
5. Capital market assumptions
6. MPI forecasting methodology

1. Analysis of inflation and equity risks
2. Nominal and real liability benchmarks
3. Return and risk parameters
4. Evaluation of potential new asset classes
5. Scenario analysis
6. Normal, maximum, and minimum allocations to asset classes considered
7. Recommended asset allocations
8. Recommended liability proxies
9. Cost of constraints
10. Investment Policy review
11. Capital market assumptions

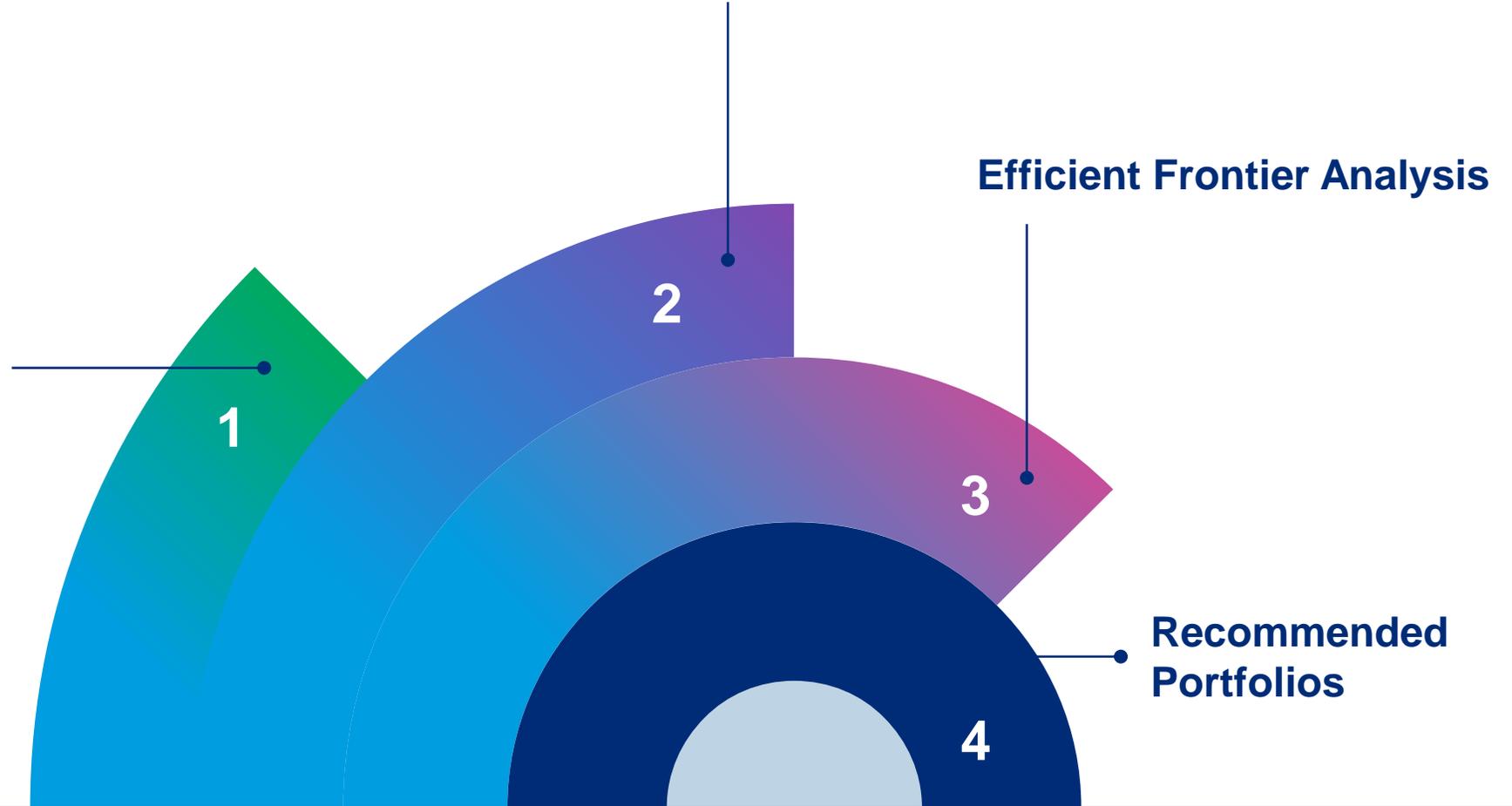
1. Assessment of the mortorcycle line

1. PUB
2. CAC
3. CMMG

Process for developing potential investment strategies

Develop Liability Proxies

Agree on Capital Market Assumptions and Asset Classes for Consideration



*Asset-only analysis conducted for RSR

The analysis was conducted separately for each liability* portfolio: Basic Claims (further split out between short (“Basic Short”) and longer-dated (“Basic Long”) liabilities), Special Risk Extension (“SRE”), Extension (“EXT”)Rate Stabilization Reserve (“RSR”) and Employee Future Benefits (“EFB”)

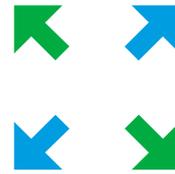
Key differences from the 2017/2018 study

Focus on matching both real and nominal fixed income durations

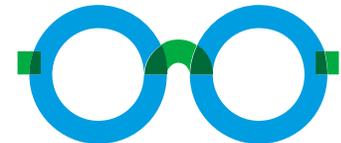
In 2017/2018 focus was only on nominal fixed income durations



Limited constraints on the type of investments included, and quantified the “cost of constraints”



Deeper review of Basic claims liabilities



Capital market assumptions

Comparison vs 2017/8 study

- Returns updated (typically lower) but same methodology
- Volatility and correlations were unchanged with the exception of real estate

Impact of 2022 volatility:

- Tested 31.12 vs 31.03
- Relative attractiveness of each asset class (from an expected return perspective) did not change materially
- Final check on 30.09.2022



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