



Society of Actuaries in Ireland

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# Risk Management and Incorporating Sustainability Considerations

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Wednesday, 9th April, 2025

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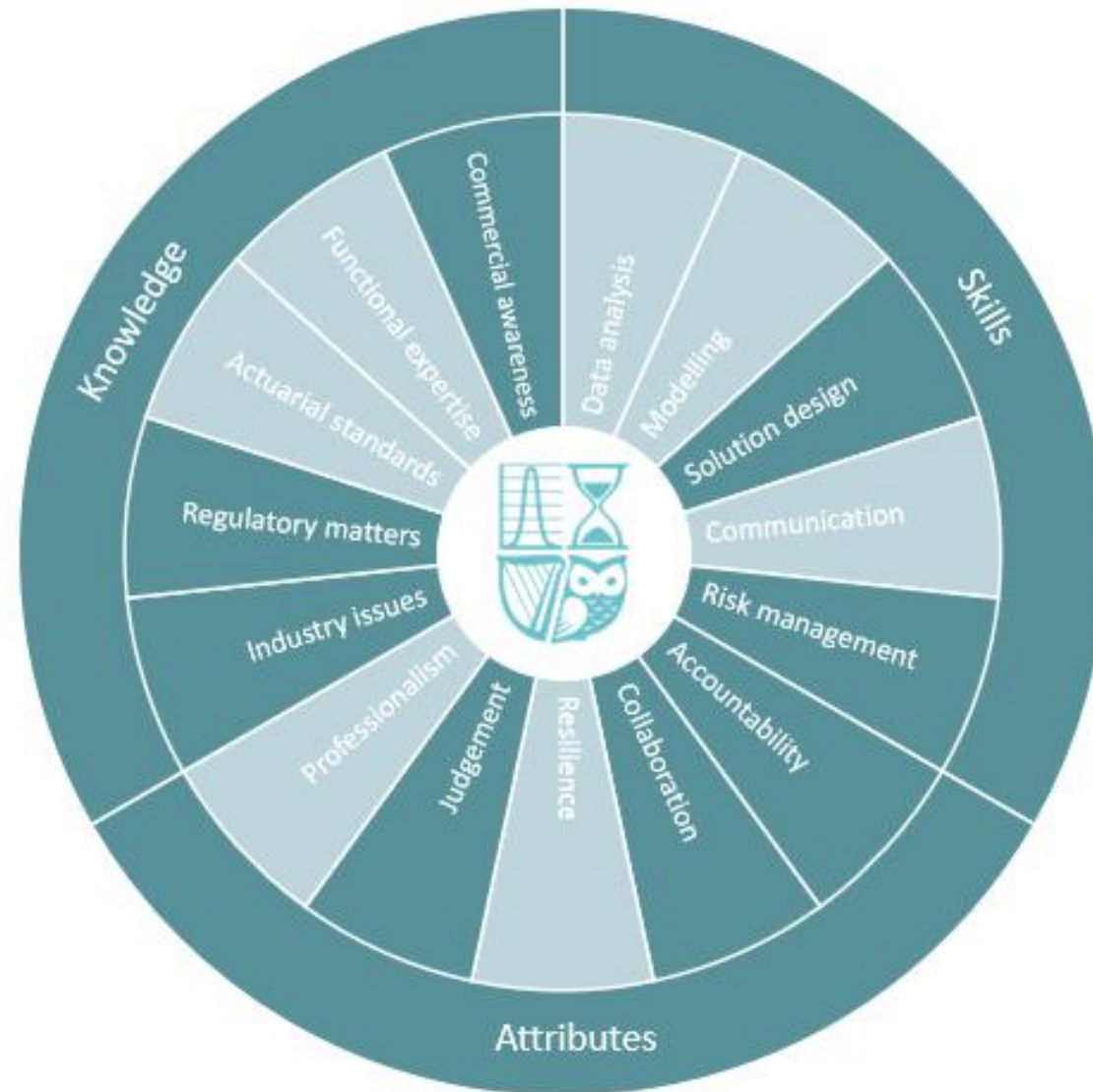
## Disclaimer

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# Competency Framework Wheel





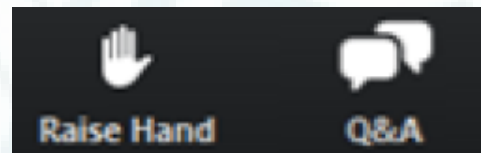
# Q&A

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# Risk Management and Incorporating Sustainability Considerations

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Tom Leahy (Unio)

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# The Risk Management Journey so far

All  
Regulatory  
driven

**Pre 01<sup>st</sup> January 2023**

Scheme Risk Manager KFH appointed

- Fitness & probity, letters of engagement etc.

IORP policies implemented (including Risk policy)

**By 22<sup>nd</sup> April 2024**

Critical Review of Registered Administrator

Critical Review of Investment Managers

Own Risk Assessment finalised

In the intervening period, implementation of :

- Risk Register
- Risk Appetite Statements



Still  
Regulatory  
driven

# The Risk Management Journey so far

Since 22<sup>nd</sup> April 2024

Risk KFH provides Trustees a regular risk report (incl risk dashboard etc)

Implementation and monitoring of Own Risk Assessment + Internal Audit findings

DORA compliance ?

Internal Audit on the scheme's Risk Management Framework ?

Supervisory Review Process ?

Practical barriers to industry-driven Risk Management initiatives for Irish pension schemes:

- Cost a recurring issue for employers or perceived value add from risk management.
- Lack of industry Risk Management experience - leverage off Irish (Re)Insurance industries.
- Perception as more yellow tape that inhibits Trustees day to day running of scheme.



# Risk Management Outlook



Strategy of  
Trustees/  
Employer

Areas where industry can compliment existing Risk regulations:

- Stress and Scenario Testing. UK/US quantitative models can assist.
- Sustainability risk. Anecdotal evidence that this has not been deeply explored to date.
- Identification and measurement of scheme risk inter-dependencies.
- Cyber risk (outside the scope of DORA\* regulations). Mitigate via additional controls.
- Sponsor Covenant risk – deeper dive can add significant value for DB scheme stakeholders. If not the Risk KFH, then who ?

\*Digital Operational Resilience Act





# Inaugural ORA - Observations

## Challenges

- Huge data gathering exercise.
- Issues receiving scheme information.
- Early Trustee engagement sometimes challenging.
- Hard deadline (22 April 2024) for all schemes led to a rushed delivery for Trustees.
- Critical reviews having same deadline as ORA caused significant headaches.
- Late regulatory guidance.
- Difficulty communicating large amount of information to Trustees over a short amount of time.
- Risk KFH could be invited to more Trustee meetings for fluidity.
- Divergence of approach in quantifying financial and solvency risks.
- Employer Covenant assessment – responsibility fell on Risk KFH due to inclusion of the assessment result in the ORA ?
- Trustees given sufficient review time for lengthy documents ?
- Not all information was available in time e.g. Internal Audit report, Critical Reviews.



# Inaugural ORA - Observations

Benefits

- ORA is a dynamic “living document” – as part of a well functioning risk management framework . Clear evidence of this at Trustee meetings.
- ORA made the Risk Management Framework more concrete for Trustees & Employers. Strategy of Employer/Trustees can now more clearly be reflected in the scheme’s Risk Management Framework.
- In a better position to dive deeper into the (opaque) risks of the scheme in the next ORA.
- Clear Risk Management contribution to Trustees’ decision-making process.
  - ❖ However, evidence of this should be documented in minutes as standard.
  - ❖ The Risk KFH does not need to be consulted in all such decisions !
- Expectations of regulator now clearer post ORA – Supervisory Review Processes providing this clarity gradually and this will evolve over time.



## ORA - looking to the future

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Next  
scheme  
ORA

“Low hanging fruit” or basics put in place i.e. inaugural ORA identified obvious issues in the scheme, “high priority” recommendations implemented and actioned. What will the next ORA look like ?

Use a separate static ORA Approach document and, therefore, shorter dynamic ORA Results document ?

The industry has experienced a recent period of very benign market conditions. This may be coming to an end! Trustees’ and members’ attitude to Investment / Funding risk may change over the next period of time depending on outcome of trade wars etc. How can the Risk KFH support the Trustees ? ‘War-game’ scenario planning regularly can help.

More sharing by Risk KFHs on the evolving nature of pension scheme Risk Management will be of benefit to all, including the public’s wider-interest? More Risk KFH SAI events !

The ORA report is merely a summary of a 3 year cycle of the Risk Management Framework journey – the Trustees should be in the car for the full journey, and ideally driving !



# Regulatory Engagement

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Pre inaugural ORA (April 2024):

- Nov 2021 “Code of Practice for trustees of occupational pension schemes and trust retirement annuity contracts” published.
- Oct 2023 Pensions Authority Risk Conference 2023 held.
- Oct 2023 “Own-risk assessment guidance for trustees” published.

Since then :

The key engagement has been via the Supervisory Review Processes conducted on a number of schemes (MasterTrusts, DB & DC) over the last 12 months. Many of these schemes reviewed have received final review findings from the Pensions Authority and timelines for Trustees to address the findings.

The ORA is in scope of the SRP : has “An own-risk assessment (ORA) has been prepared in accordance with section 64AL of the Act.” ?



# Regulatory Supervisory Review Process

## Review focus

The Pensions Authority ('PA') shall review the **strategies, processes and reporting procedures** established by the trustees of a scheme.

## Assessments

A supervisory review shall comprise an assessment of:

- (a) the qualitative requirements relating to the **system of governance**;
- (b) the **risks that the scheme faces**;
- (c) the **ability of the scheme to assess and manage those risks**.

## Monitoring Tools

**Monitoring tools that enable the PA to identify deteriorating financial conditions** in a scheme and to monitor how that deterioration is remedied.

## How?

Desk-based inspections, on-site inspections, thematic reviews and engagement meetings. etc

**2024 focus:**  
6 Master Trusts, 1 large DB and 1 large DC scheme.



# Regulatory Supervisory Review Process

## WHAT THIS MEANS:

- All other schemes coming into scope in 2025 and beyond - increased risk of regulatory supervision.
- Review of six specific risk areas: Governance, Operations, Risk Management, Communications, Investment, and Fees and Charges.
- Significant **time / cost** invested into the SRP process as well as implementing final findings.
- Proportional approach to be applied by the PA?
- Freedom of Information requests?

## LEARNINGS:

- Governance frameworks – Trustees “living” by their policies ? Trustee meeting frequency. File versioning maintained etc.
- Implementation of ORA recommendations, Internal Audit findings etc significantly reduces the time/cost burden.
- Key risks have additional controls identified via recommendations or potentially perform revised ORAs ?
- Minutes document decision-making processes of Trustees. Trade-off between too much & too little disclosure.



## Other open issues

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Furthered  
at another  
SAI event ?

- Do the Trustees engage with their Risk KFH before making material or all decisions ? Where is the balance ?
- Are Trustees ready for an interview with the regulator without scheme advisors present ? Regular review of IORP policies etc during Trustee meetings will help remove some of the fear for lay Trustees. Engaging legal firms to assist Trustees with the Supervisory Review Process should be the exception rather than the rule.
- Risk KFH as 2nd line of defence, beware being pulled into activities that should be performed by the 1st line of defence e.g. DORA implementation.
- Post Irish pension scheme consolidation, will Risk activities remain a regulatory tick-box exercise ? Or will industry-driven innovations be sought by the remaining larger schemes where cost is less of a barrier ?



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# Sustainability Risk in Pensions

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Robert Meaney (Mercer)

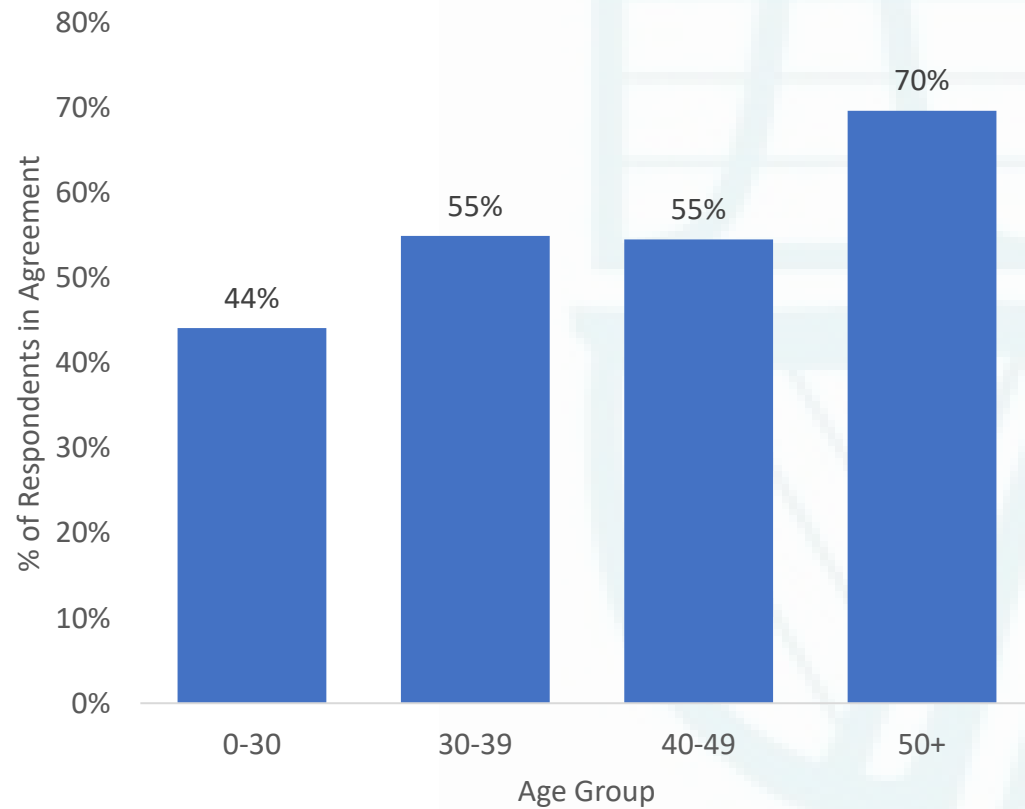
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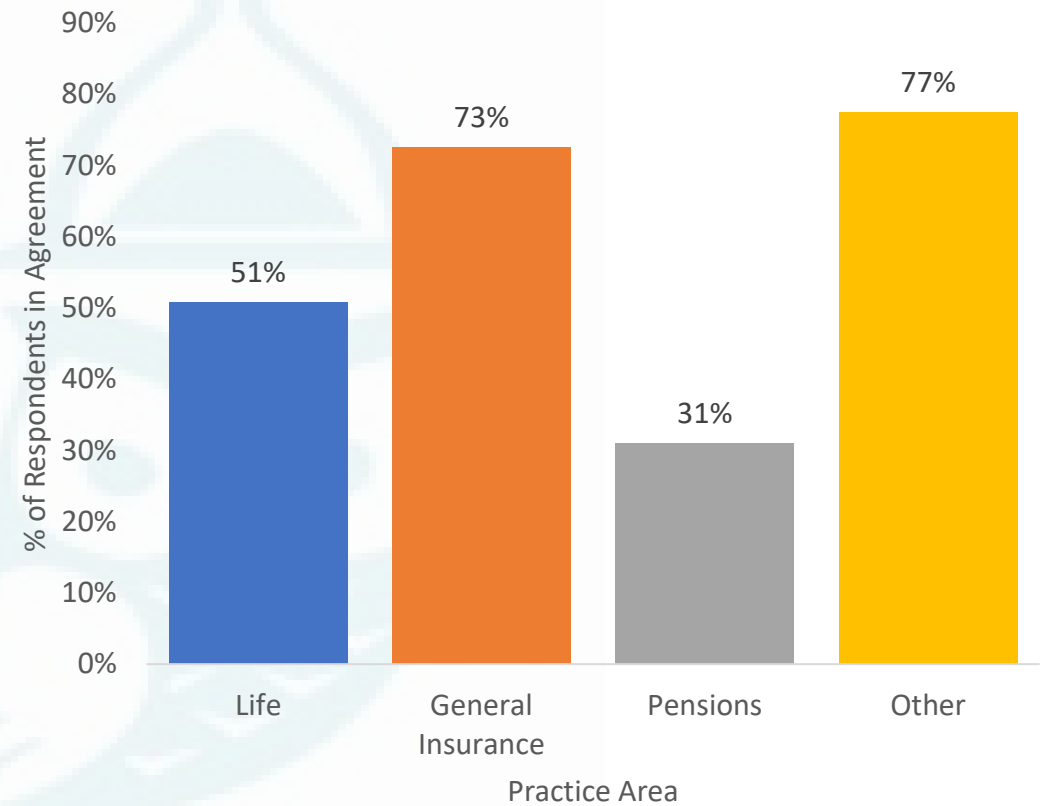


# Members considering Sustainability/Climate Change issues in their work

## Age

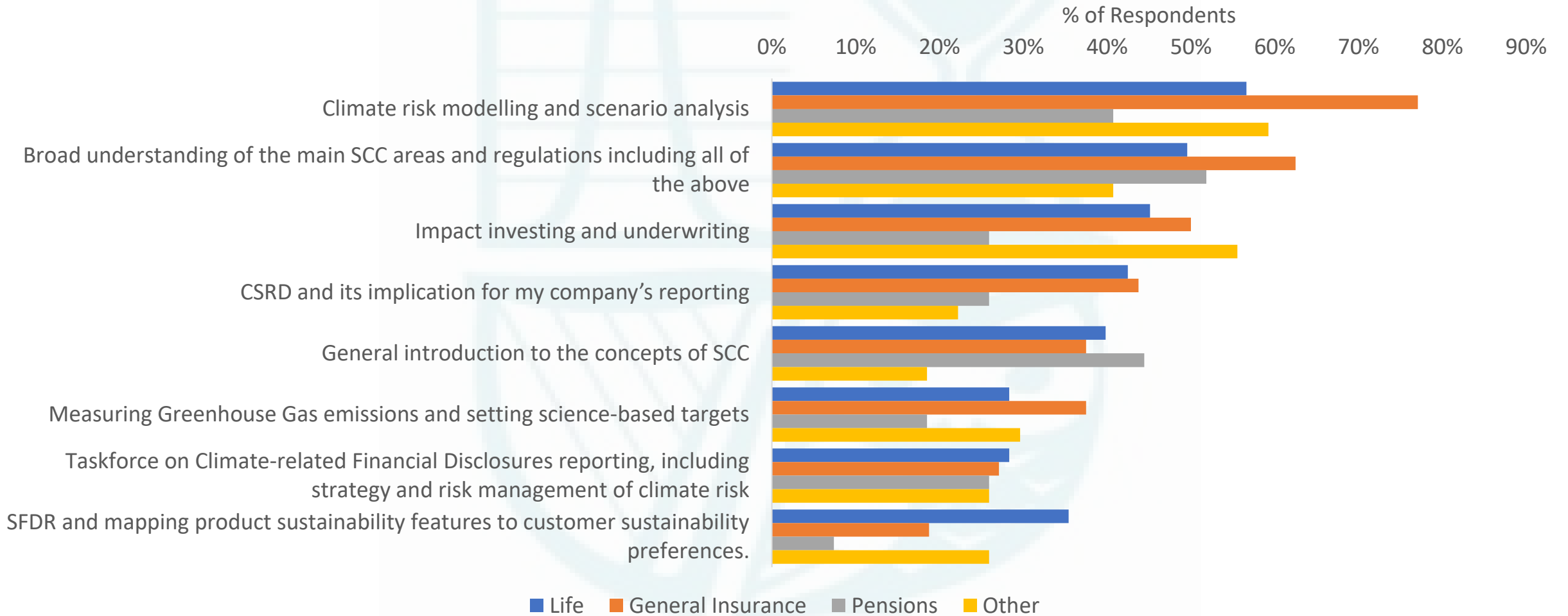


## Practice area





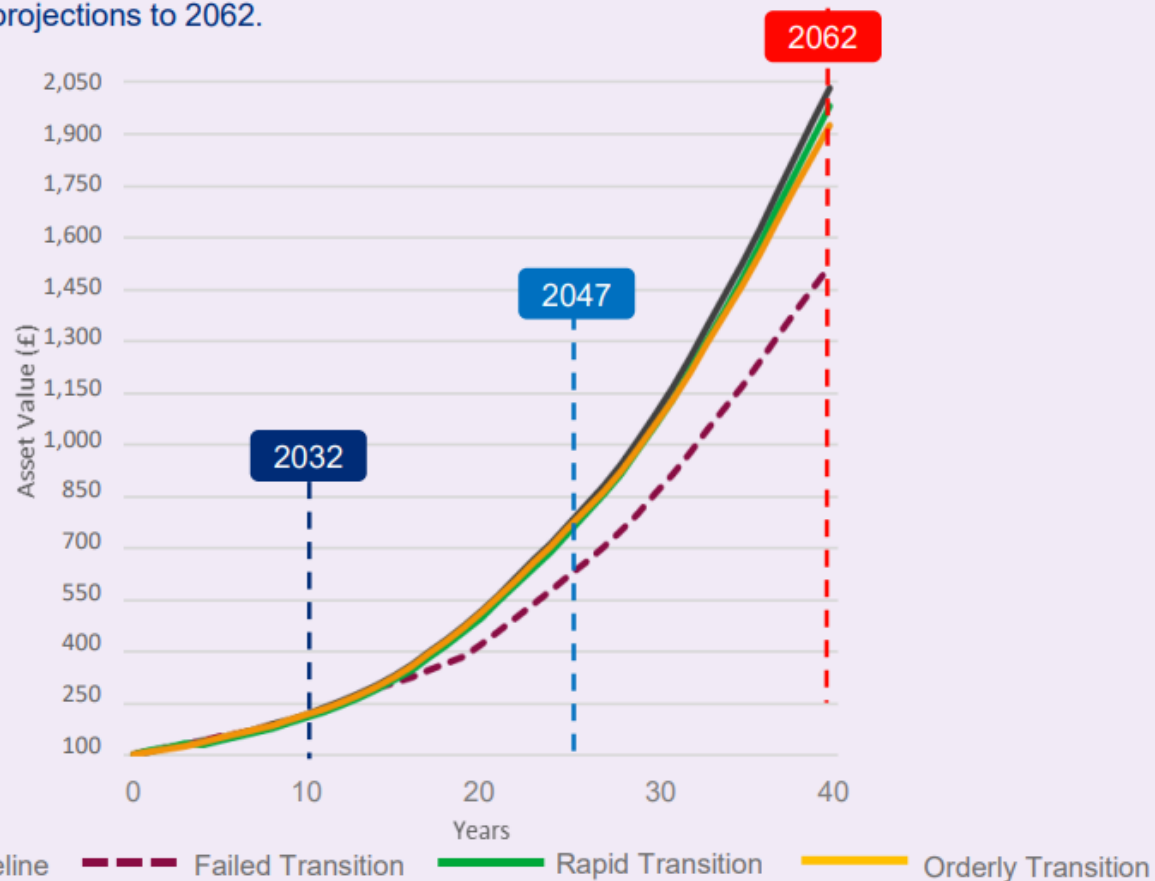
# Subjects of interest to members





# Sustainability risks – backdrop

Chart 2: Asset projections to 2062.



Source: Mercer. Based on the strategic asset allocation as at 30 September 2022. The projections assume £100 as initial asset value, with the baseline following Mercer's capital market assumptions' return expectations.

Note: the modelling may understate the true level of risk due to the uncertainty around the future economic impacts of climate change.

- Big focus on climate
  - Data, Regulation, Breadth
- Reputation – Trustees / Advisers?
- DC Member Engagement
- What are others doing?



# Actions

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- Trustees to define their objectives with advisers
- Identify / Describe, Evaluate, Manage/Monitor
- Stakeholder Reporting/Engagement
  - Members
  - Covenant
- Resources:
  - Google
  - UK pensions regulator climate risk ([link](#))



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