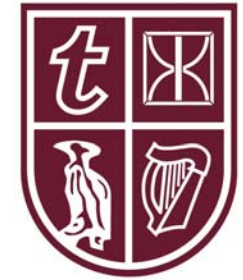


# Pension Risk



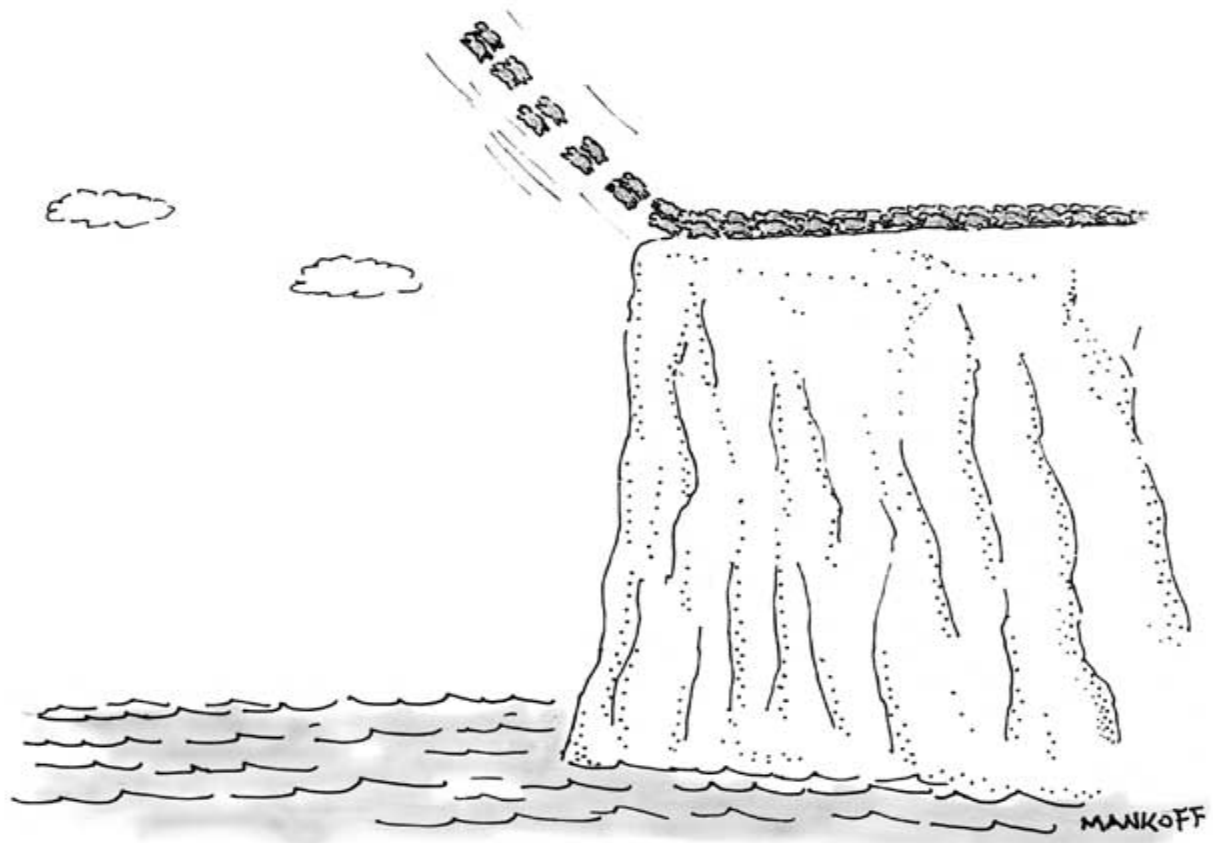
David O'Sullivan  
Ian Sykes

# Working party

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- Improving pension risk management
- Cross-discipline
- Initial report
- Personal views



WHAT LEMMINGS BELIEVE



# Recommendations

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- Adopt ERM approach
- Company driven
- Integrated strategy and advice
- Better communication
- Look at DC next

# What is ERM?

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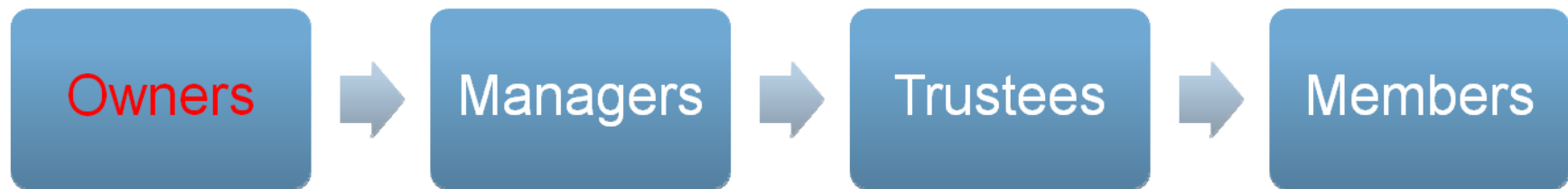


*"a process effected by an entity's board of directors, management and other personnel, applied in a strategic setting and across the enterprise, designed to identify potential events that may affect the entity, and manage risk to be within its risk appetite, to provide reasonable assurance regarding the achievement of entity objectives."*



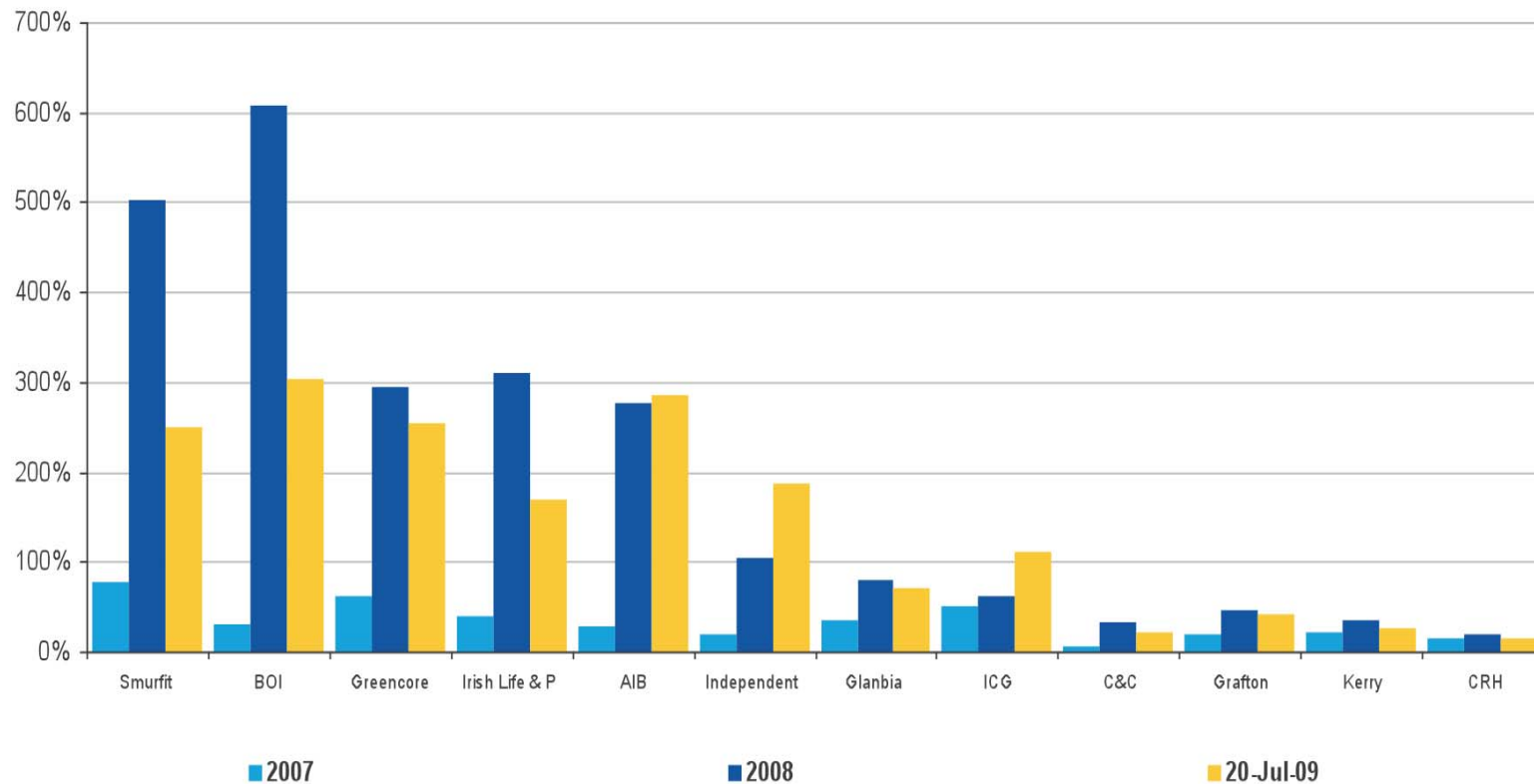
# Whose risk?

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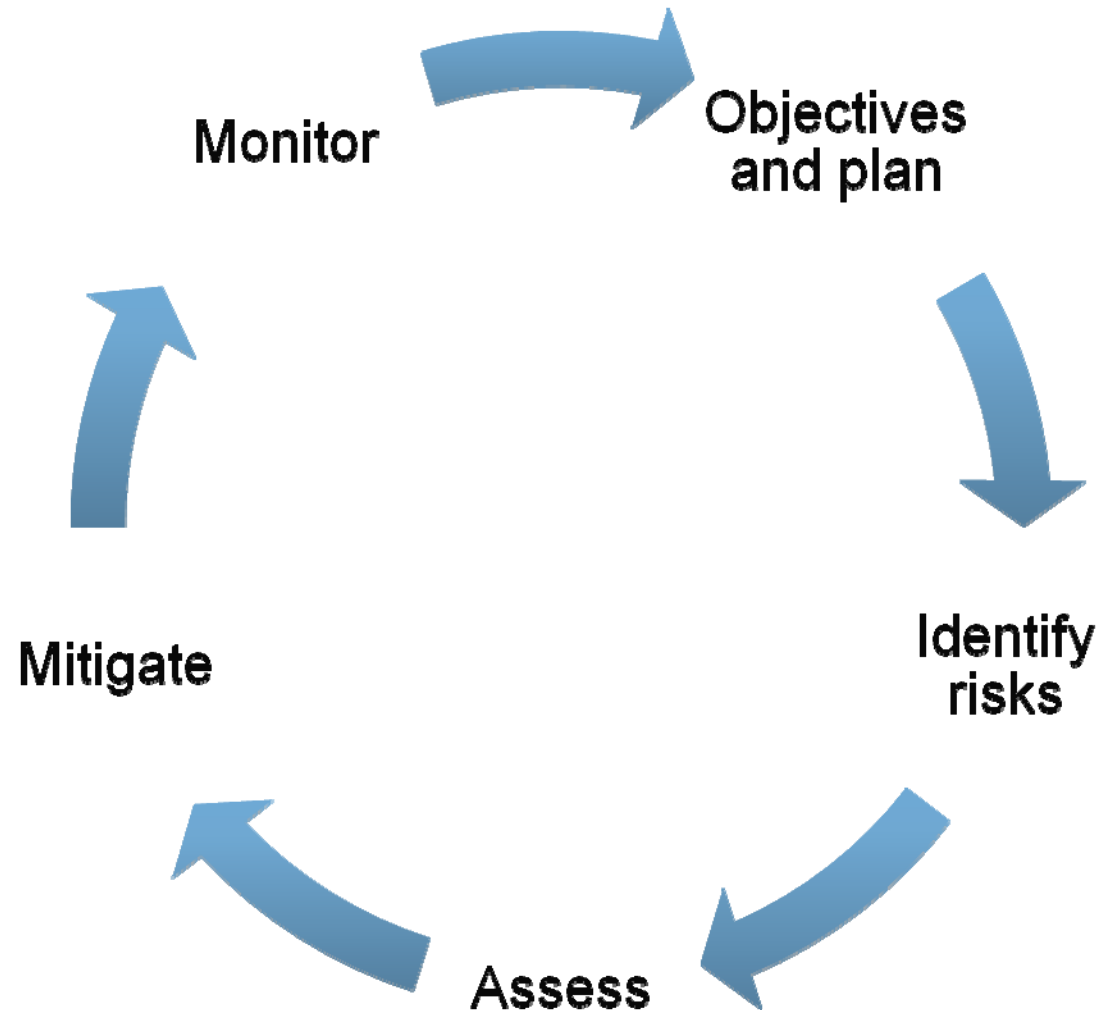
Risk falls on owners and members, not their agents

# Pensions are debt



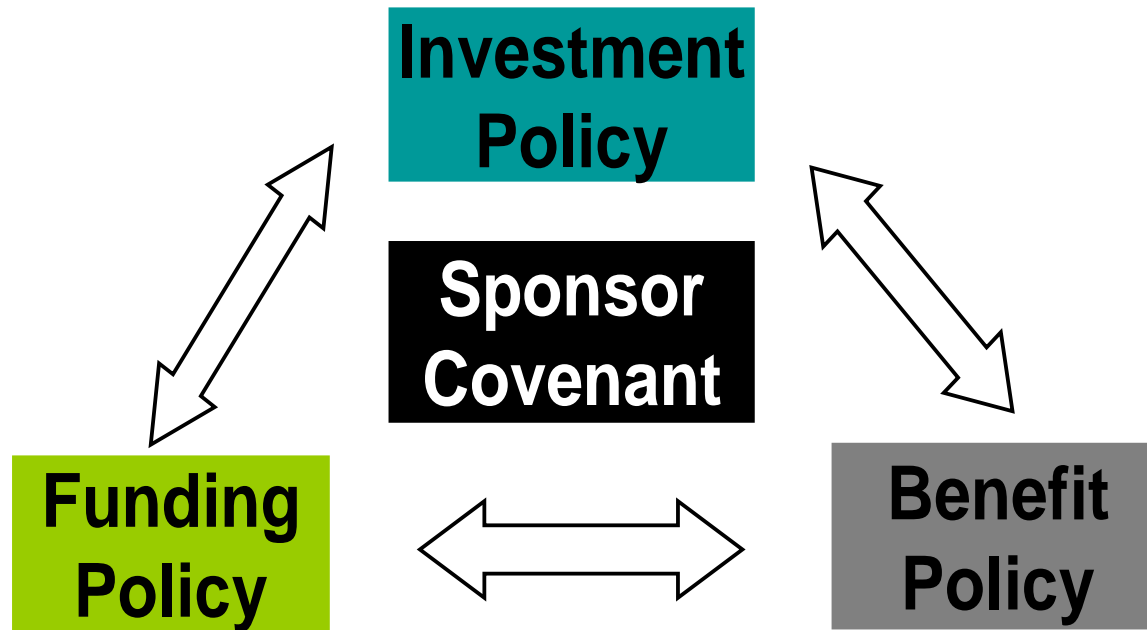
Pensions are THE major risk for many companies

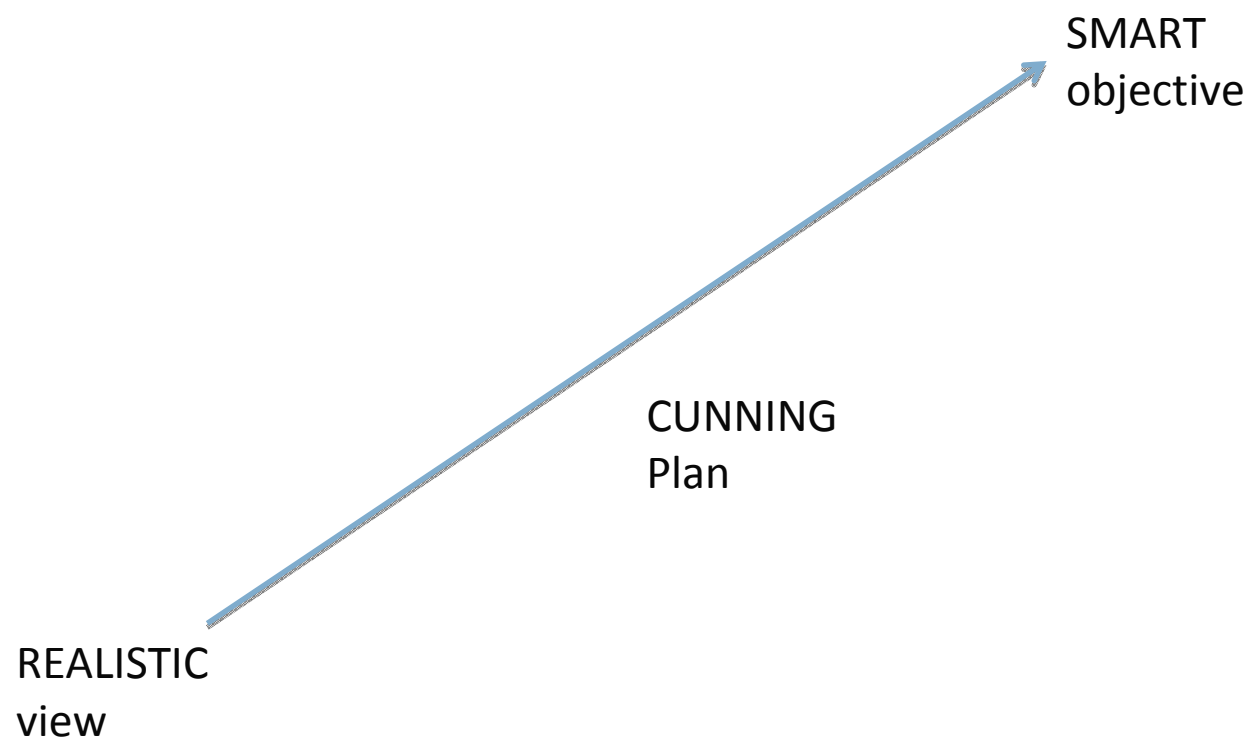
# ERM process



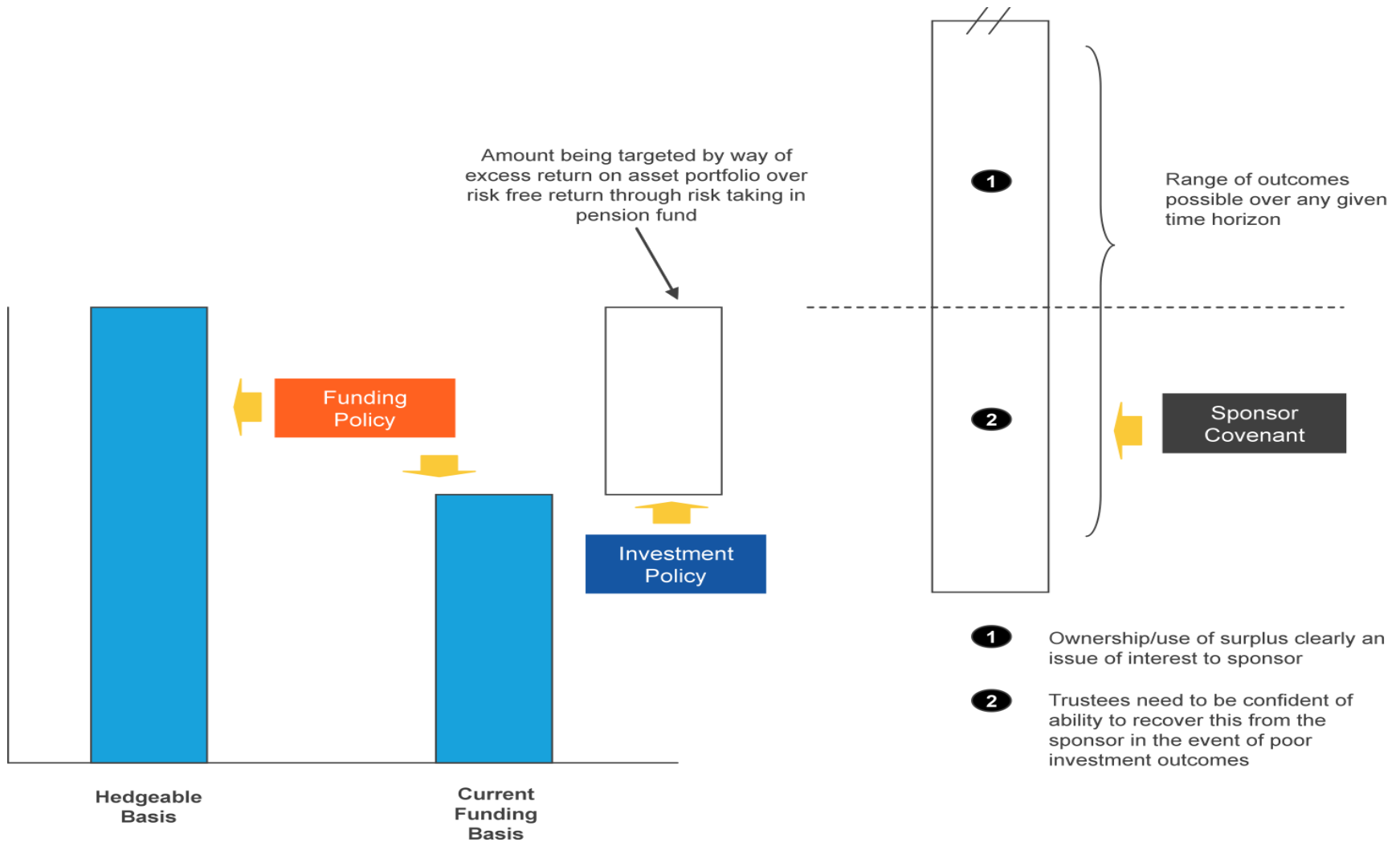


# Integrated strategy and advice





# Liability measurement



# Business plan

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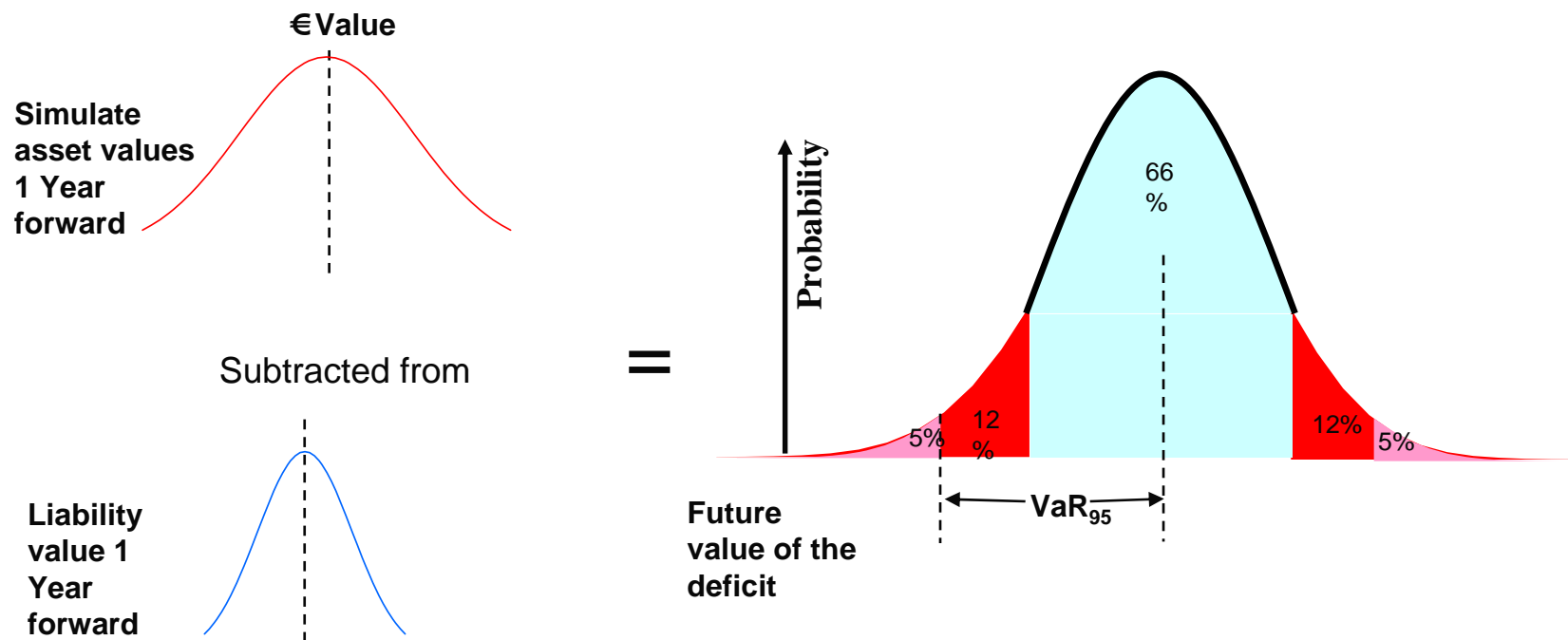


Objective	Action	Owner
Full funding by 2020	Contributions of €10m p.a. Return > bonds +3% p.a.	Finance director Trustees
Pay benefits correctly	Accurate administration	External administrator
Comply with law	Correct management Monitor legal changes	Trustees Legal adviser



# Risk measurement

- Different approaches – deterministic/stochastic/ market price
- Recommend Value at Risk



# Risk register

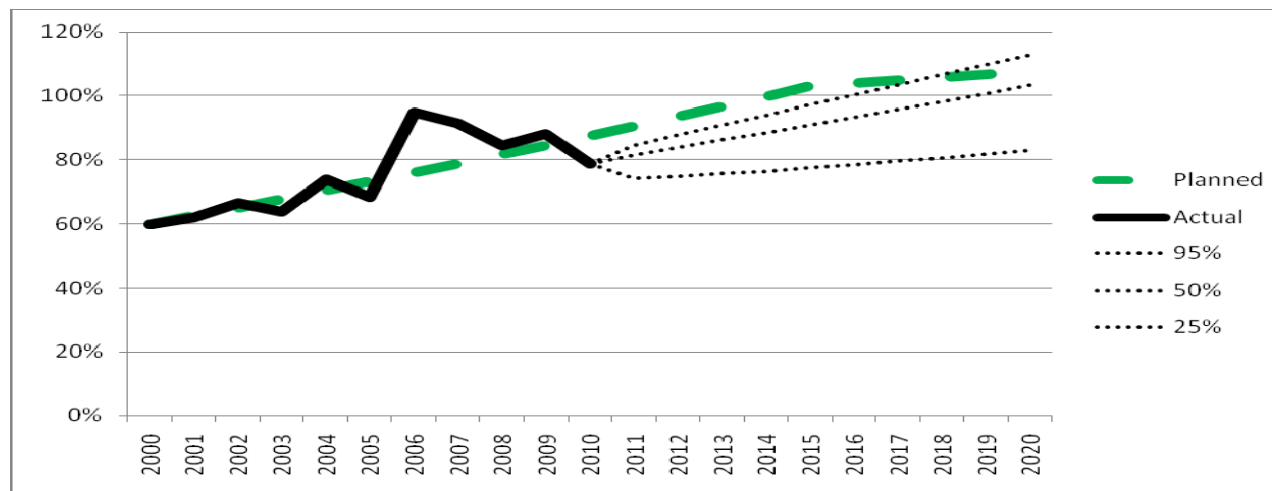


Risk	Rating	Mitigation	Monitoring
Employer default		Eliminate deficit by 2020	Share price Credit rating
Investment loss		Max 50% equity – diversified Duration matched bonds	Fund return
Change in law		Legal advisor	Legal update
Theft of assets		Assets with custodian	Internal control reports
Maladministration		External administrator	Admin reports

# Monitoring



Objective	Target	Actual	Comments
Full funding by 2020	Funding level 80%	75%	Still achievable
	Contributions €20m	€20m	Credit rating A
	Return €60m	€10m	VaR €20m
Benefits paid correctly	Nil exceptions		
Compliance	Nil exceptions		



# Better communication

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- Owners
  - Expected asset returns
  - Credit spread
  - Salary increases
- Members
  - Promise or aspiration?
  - Business plan and performance
  - Jargon



# DC schemes

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- Retirement planning
- Investment
- Administration
- Monitoring
- Risk management





# Discussion

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- Adopt ERM approach
- Company driven
- Integrated strategy and advice
- Better communication
- Look at DC next