

MAKING RISK MANAGEMENT ADD VALUE FOR OUR FUND

PLA CONFERENCE 2006

SPEAKER NOTES

1. MAKING RISK MANAGEMENT ADD VALUE

Speaking as a trustee

Large multi-employer fund

Lots of theory and advice

Needed a practical plan to add value for members

Introduce Ted – members who don't speak

Risk profile of a retirement fund

Risk profile a common term for individuals

Corporates also have risk appetite

DC Ret Fund has prudent risk profile

PF Act “providing annuities on ret” etc

2. GOOD GOVERNANCE = RISK MANAGEMENT

IBE, Garratt definitions

Value add, Not a separate process

New AFS point trustees to fulfilling S7C&D duties

These duties = most important risk factors

Risk based management (cf Risk based supervision FSB)

3. OUR STRATEGY

Used S7C&D as mission statement (plus more)

Identified:

Strategic risks (7C) + Governance of itself

Operational Risks (7D)

Investment Risks

Hazard Risks

Assessed:

Left out this step for now

Mitigated:

Governance process

Today's topic is specifically legal risks, which JWM has indicated include trustees' use of discretion, non-compliance with rules, bad contracting, poor communications, PFA. We found it more useful to classify via Strategic, Operational, etc, so that so-called Legal Risks are found in all our categories.

4. MITIGATING DELEGATED RISKS

Example of the Admin Sub-Committee

Mandate: Ensure admin functions by maintaining and developing admin agreement; manage risks by developing and monitoring admin report + get indemnity from SP

Now reviewing: Do we look at every risk (eg OMSRF)

Do we ask for Administrator's RM Plan

Stick to status quo (there is a S13B anyway)

Ask administrator for S7D process and control confirmation (cf audit scope)

And understand how they came to this conclusion

Get SAS70 by their auditors or ours

Negligence will invalidate PI cover

5. MITIGATING NON-DELEGATED RISKS

Example of Death Benefits Sub-Committee

Mandate to investigate and suggest allocation

Own risks – wrong use of discretion – mitigate 1. Process Document; 2. Info gathering process; 3. PI cover

Delegated – administrator

6. INVESTMENT RISK

In a DC fund, carried by member (esp inflation / volatility / interest)

Default portfolio?

IPS & Communication Policy

7. RISK MANAGEMENT STRATEGY

Documented and managed by Gov Sub Comm including details of fidelity and pi cover.

Insurance consultant

Reviews

CONFORMANCE VS PERFORMANCE “Baby bear”