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INTERNATIONAL PENSION CONSULTING

# Pensionfund Governance Managing Risk

# INTRODUCTION



- \* William Van Ettinger
- \* Founder INPENCO 2008
- \* Former CFO Treasury & Pensions
- \* Board and Investment Committees
- \* Interim Management
- \* Consulting Services
- \* SPO/A-ERE European Pension Course

# Managing Pension Fund Governance

## Effective structure of Board and Committees

- \* Investment Committee
- \* Communication Committee
- \* Governance Committee
- \* Audit Committee

# Expertise Level of Board and Committee members

- \* Expertise Plan
- \* Good cooperation with sponsor
- \* Pensioners remain in seat
- \* External professionals
- \* Pensionburo staffing
- \* Advisory Structure

# Advisory Structure



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- \* Actuary
- \* Investment Advisor
- \* Lawyer
- \* Administrator
- \* Communication Advisor
- \* Clear mandates

# Pensionburo

- \* Adequate staffing
- \* Level of expertise
- \* Decide ambition levels
- \* Good working relationship with Board
- \* Get optimal value from advisory structure

# Understanding Risks



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- \* Pension Promise is a key risk source
- \* Financing Agreement with Sponsors
- \* Enterprise Wide Risks ( FIRM)
- \* Continuity in Advisory Structure
- \* Continuity in Governance Bodies
- \* Continuity in Pensionburo

# Managing Investment Risks

- \* Investment Advisor
- \* Outsource to Fiduciary Manager
- \* Board/Investment Committee Mandate
- \* ALM and Strategic Mix
- \* Use of Alternatives
- \* Performance/Risk Management Framework



# Funding Policy

- \* Financing Agreement with Sponsor
- \* Sponsor Relationships
- \* Indexation
- \* Member contributions
- \* Member Communication

# Lessons from the crisis

- \* No deep understanding of Investments
- \* No clear ambition setting
- \* Advisors/ Managers disconnect
- \* Pensionburo did not support Board
- \* Governance structure not adequate
- \* General Lack of Expertise/Amateurism
- \* No adequate risk reporting/understanding