

# \ Achieving assurance over pensions risks

April 2012

Diana Melville  
Neil Sellstrom



## Introductions & objectives

- Diana Melville, Governance Advisor, CIPFA Better Governance Forum
- Neil Sellstrom, Pensions Advisor, CIPFA Pensions Network
- Penni Coppen and Julie Radcliffe, KPMG

## Outline of the day

- Overview of pensions' risks (Diana)
- *Break*
- Developing assurance – regulatory compliance (Neil)
- Investment risks (Neil)
- *Lunch*
- Governance decision making & accountability (Diana)
- Financial controls (Penni & Julie)
- *Break*
- Stewardship & risks from change (Neil)

## Assurance & risks

- 'A confident assertion, based on sufficient, relevant and reliable evidence, that something is satisfactory, with the aim of giving comfort to the recipient. The basis of the assurance will be set out and it may be qualified if full comfort cannot be given.'

CIPFA Role of HIA, 2010

- Types of assurance – audit opinion, risk management output, management assurance

## Overview of pensions' risks

- Starting point for assurance planning
- Current risk management arrangements
  - How effective are they?

## Typical problems?

- Static
- Lack of attention from pensions committee
- Doesn't prompt action
- Unbalanced – too operational?
- Not linked to data or triggers
- Not linked to objectives

## Examples:

Failure to process pension payments and lump sums on time

Low

Failure of a pension fund investment manager to meet investment strategy and performance targets resulting in reduced financial returns, re-tendering exercise

High

## Improving pension risk management

- Improve understanding of risks
- Provide active assurance
- Key part of decision making
- Recognising special characteristics of pensions risk management:
  - Longer-term
  - Impact of external events
- Robust base for assurance planning



## Risk overview

- What are your key risks?



## Classifying risks



Strategic		
Operational		
	Controllable	Uncontrollable

## Assurance planning

Strategic	Expert evaluation Audit	Horizon scanning Contingency planning
Operational	Management assurance Audit	Partners, admitted bodies etc.
	Controllable	Uncontrollable

## What risks should pensions committee focus on?

- Need assurance arrangements in place for all risks
- Decision making - Strategic rather than Operational
- Understand impact of uncontrollable risks
  - Scenario planning
  - Contingency or mitigation planning

## Risk reporting in annual reports

- 'The annual report of a pension fund should include an overall risk assessment in relation to each of the fund's activities and factors expected to have an impact on the financial and reputational health of each fund. This could be done by summarising the contents of a regularly updated risk register.'

'Key issues to consider', Principle 3 Risks and Liabilities,  
Investment decision making and disclosure - A Guide to the  
Application of the Myners Principles, CIPFA 2009

- How effective is public risk reporting?

## Key actions:

- Link risk registers to overall objectives
- Ensure that include key risks – strategic & major operational risks
- Plan for assurance to pensions committee to cover full range of risks.....but
- Spend valuable pension committee time on strategic matters
- Consider effectiveness of public reporting on risk