



PENSION RISK MANAGEMENT WG

AAE RISK MANAGEMENT COMMITTEE

6 OCTOBER 2022

AGENDA

Intro and background

Terms of Reference

IORP numbers

WG status and first deliveries + discussion

Questions & feedback... and recruitment 😊

INTRO AND BACKGROUND

Pension Risk Management	AAE: Actuarial community should be an important part of good risk management in Pensions
Political environment	AAE wants to be a more visible stakeholder in the political environment within the EU when it comes to risk management and good governance in pension providers.
Educational purpose	AAE wants to ensure that there is easy access to relevant actuarial risk management knowledge and networking within the EU actuarial community

TERMS OF REFERENCE - OBJECTIVES

Initial focus:
IORP RM

Summery

I.Promote actuarial skillsets

I.Promote actuarial and risk management techniques

I.Ensure educational initiatives

I.Establish a community and network of professionals

I.Assist / advise relevant European stakeholders

I.Responding to regulatory / reporting / disclosure requirements

Organise at least once a year a webinar, roundtable or conference

Full ToR text

I.Promote actuarial skillsets so that relevant stakeholders (for instance EU political and regulatory bodies) can see that the AAE is a necessary and valuable asset for the broader public good when it comes to Risk Management of pension providers, including IORPs.

I.Promote relevant actuarial and risk management techniques that impact on the sustainability of pension funds or public / social security schemes including long-term risk assessment from the perspective of members and beneficiaries

I.Ensure relevant educational initiatives on actuarial pension risk management topics are available for the AAE community.

I.Establish a good community and network of professionals working within actuarial Risk Management for pensions.

I.Assist / advise relevant European stakeholders in good practise on investment strategies under the prudent person framework within IORP II with the aim of ensuring an adequate and consistent long-term performance of different types of pension plans.

I.Assist, where appropriate, in responding to modifications in regulatory / reporting / disclosure requirements – e.g., proposals from the European Commission and the European Supervisory Authorities. This to include active involvement in supervisory work relating to current EIOPA IORP stress-test analyses, the forthcoming IORP II review process and the proposal for a regulation on digital operational resilience for the financial sector.

Organise at least once a year a webinar, roundtable or conference that is targeted to facilitate the exchange of information and wider discussion of topics relevant to the Working Group with AAE stakeholders (such as, but not limited to, European Commission, Members of European Parliament, European Supervisory Authorities, National Supervisory Authorities and the actuarial community working in or planning to work in the pension fund risk management field).

TERMS OF REFERENCE

Governance

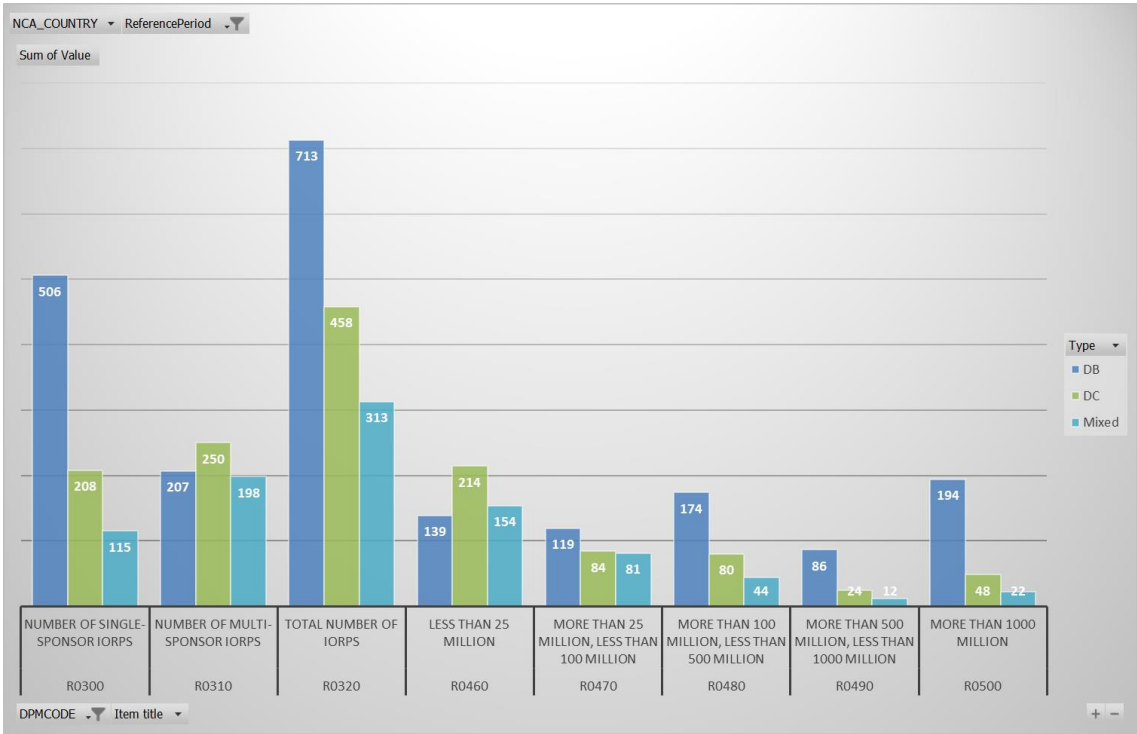
- The Pension Risk Management WG (PRM WG) reports to the Risk Management Committee and the Pensions Committee of the AAE and does not have a fixed term of operation.
 - The WG is responsible for prioritising deliverables and ensuring continuous alignment with the board.
 - The Chairperson of the Risk Management Committee is the first point of contact for the PRM WG as well as with the Board.
 - At outset, the Chairperson of the working group is Martin Melchior with the Vice Chairpersons of the working group being the Chairpersons of the Risk Management and Pensions Committees.
- Membership is open to representatives of Member Associations of the AAE and is not restricted to one representative per member association. Interested individuals may also participate in the work of the working group, even if not formally representing a Member Association.

Members

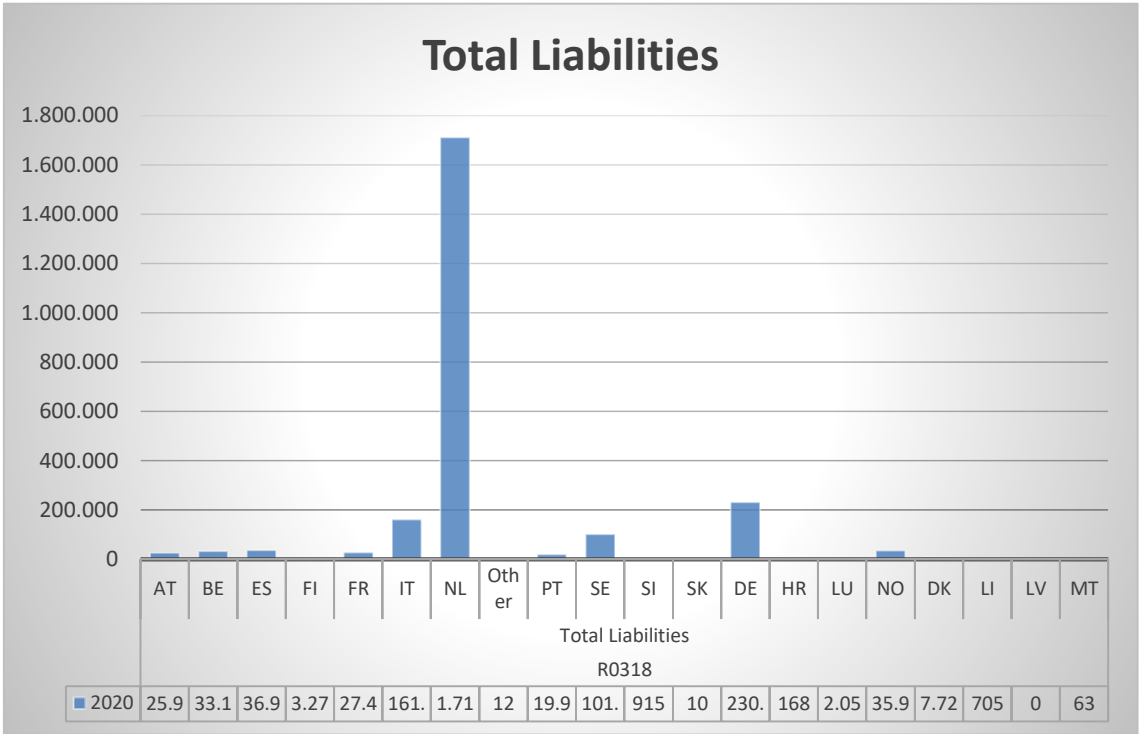
- Martin Melchior
- Malcolm Kemp
- Tatiana Bitunska
- AnaMaria Pejic
- Paola Fersini
- Richard Clossick
- Karel Goossens
- Ivan Maric

IORPS – THE NUMBERS

#IORPS - EU



Total Liabilities



WG STATUS AND FIRST DELIVERIES

Status

- ToR finalized (subject to approval from the board)
- 3 meetings held
- List of priorities and objectives

Deliveries planned

- Survey on IORPs and actuarial involvement in Actuarial and Risk Management function
- AAE views on IORP ORA (form not decided)

Deliveries discussed

- IORP Solvency vs. IORP solvency
- ORA vs. ORSA

Deliveries pending RMC discussion

- Liability driven investment strategies in turbulent times – is it only relevant in some countries or worth doing a paper or presentation on?

The survey covers :

- The IORPs in your country
- The member actuaries and IORPs
- The member actuaries involved with the Actuarial Function and the Risk Management Function
- Internal or external key functions
- The embedding in the organisation
- The expectations of the supervisor
- The ORA
- The member association (MA) activity
- The expectations of the MA and AAE

Topics (in prioritised order)

IORP solvency vs. Solvency II

ORA vs. ORSA

Education, networking and sharing good practices.

Investments – Prudent Person Principle vs. Prudent Person Rule

Actuarial and Risk Management function

Proportionality, governance and the FSA

The IORP challenge – how to manage risks with limited access to resources and competencies

Defining a RM Framework for "Managing risks related to the policyholder benefits".

Professional / Expert judgement

Governance - Actuarial and RM functions, including professional judgement.

Challenges ahead IORPs in light of increasing inflation and low interest rates.

Environmental, Social, Governance (ESG)

Managing risks related to the policyholder benefits

Cyber security and digital Risk Management

Possible conflict of interest with sponsor

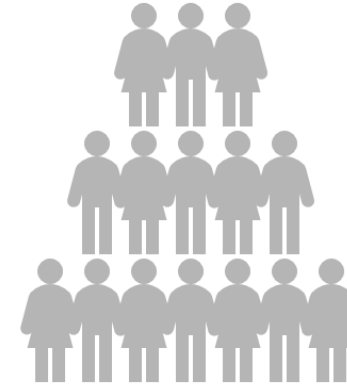
Outsourcing

How to communicate technical issues/models to the board

Fairness in distribution of funds



Questions & feedback



... and volunteers 😊