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# Risk Management for Defined Contribution Pensions

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# Introduction

## **Purpose** of today:

To inspire new ways of approaching risk management for DC pensions – and explain why traditional models may fall short.



# Types of DC pension plans – and today's focus

DC with guarantees



**Pure DC with  
no guarantees**



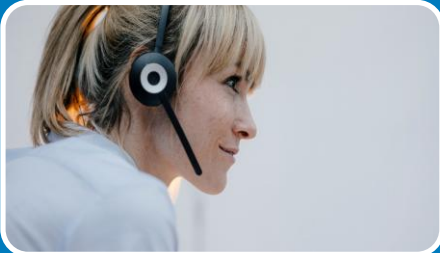
DC with conditional  
guarantees

# Critical risks in DC pensions



## Conduct risk

- Poor investment strategies
- Excessive fees/costs
- Value for money
- Unfair distribution of longevity
- Lack of inflation protection
- Etc.



## Communication risk

- Misinformation
- Members' lack of risk understanding
- Lack of transparency
- Over-communication
- Etc.



## Operational risk

- Daily unit-prices
- IT support of fund management
- Daily pricing of illiquid investments
- Member trading processes
- Etc.



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# Rethinking risk governance

*We need a change of focus*



**Pure DC:  
A different  
focus in risk  
management  
needed**

**Is your  
organisation  
ready for this?**



# Pure DC governance

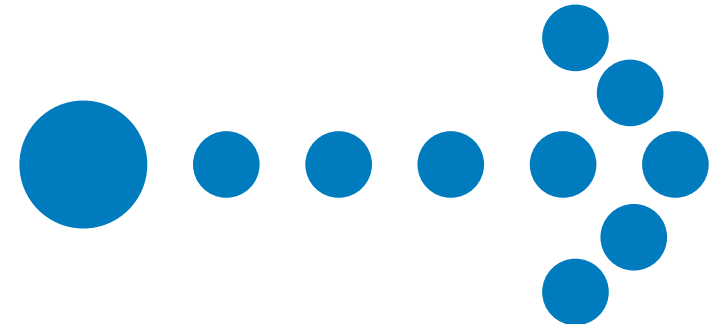
1. Individual/persona strategic goals



2. Individual/persona risk appetite and tolerance



3. Policies and guidelines







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# Pure DC risk management

*Let's borrow from 'Product Oversight & Governance'*





# POG Principles Worth Adopting

- Ensure products consider customer/member interests and goals
- Identify “target groups” and “compatible members”
- Ensure no detrimental effects on customers/members
- Test products against identified needs
- Ongoing product validation and monitoring with triggers for negative impacts



## Key messages & Q&A







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