Quattro Pensions
CONSULTING ACTUARIES

news bulletin

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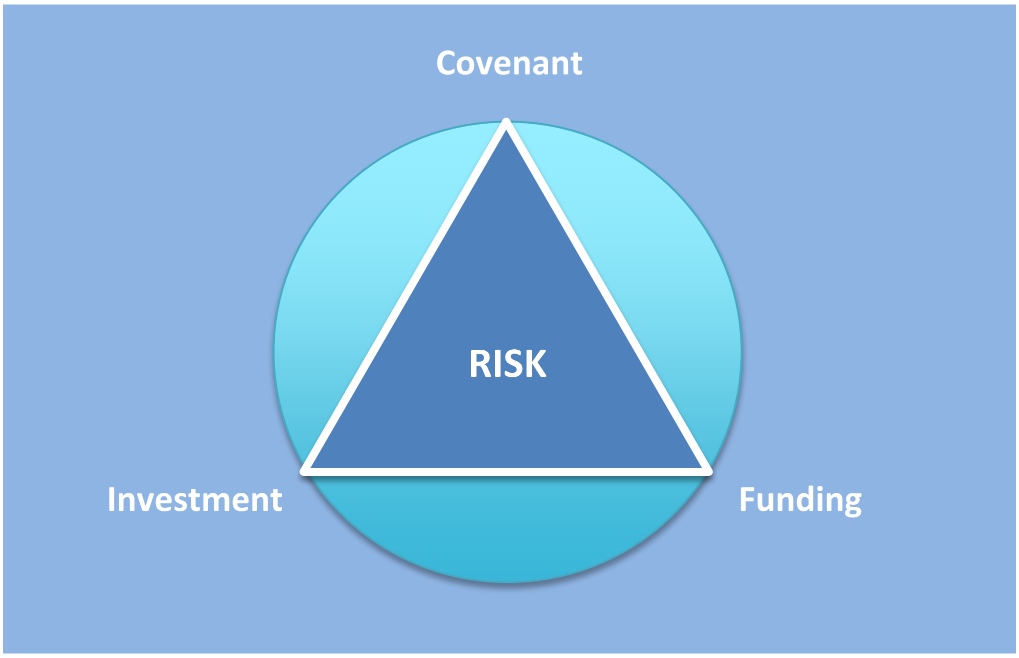

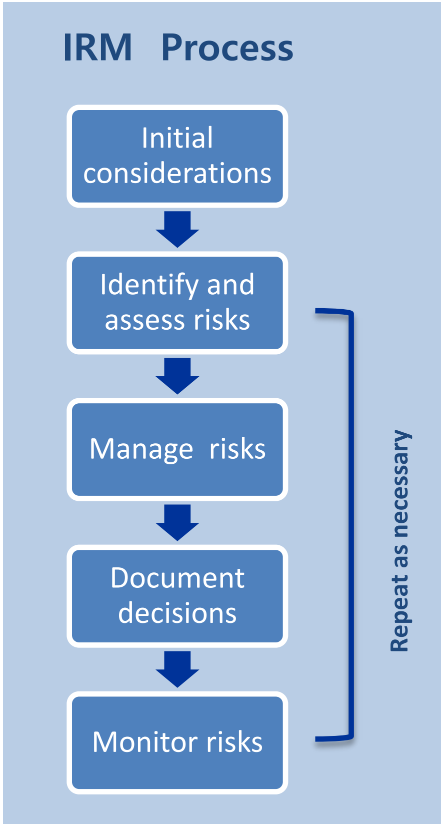

Pensions Regulator's guidance on Integrated Risk Management

The Pensions Regulator (tPR) has published guidance to help trustees and employers understand what is meant by **integrated risk management** (IRM) in the context of funding defined benefit schemes.

IRM aims to **identify** and **manage employer covenant, investment** and **funding risks** and is a valuable tool in planning how to meet scheme funding objectives. It forms part of good governance.

The tPR guidance sets out a step-by-step approach to implementing an IRM framework. It includes scenarios and examples to illustrate how to apply the principles in practice, which will enable trustees to draw comparisons with their own scheme.

The guidance is intended to act as useful mechanism to assess the approach taken (which will need to be **proportionate** to each scheme and employer circumstances).

The IRM framework is most effective where trustees and employers commit to working closely together and develop a better understanding of each other's **risk appetite** and **risk capacity**. This way, it is more likely that a **balanced** funding solution can be achieved, which is **sustainable** for both the scheme and employer. It is more than just understanding risks, it should consider what can be done to control and mitigate risks, how to adapt plans as events unfold and how to lock in improvements when opportunities arise.

A successful IRM framework will result in a **more robust decision-making** process, with **transparent** and **well-documented** decisions as well as **more collaborative relationships** between trustees, employers and advisers.

Effective risk assessment, contingency planning and **monitoring** arrangements are vital in challenging economic conditions in order to deliver the benefits promised to members. IRM should lead to swifter reactions and **more efficient** use of trustees', employer's and advisers' time. Advisers can help with setting suitable risk indicators and triggers for action.

There's no need to wait until the next triennial actuarial valuation cycle to introduce a formal IRM framework. Trustees are encouraged to look into it now and to consider high level monitoring at least once a year.

If you would like us to help you develop a documented IRM framework please contact us.

The guidance can be found here:

http://www.thepensionsregulator.gov.uk/docs/guidance-integrated-risk-management.pdf