

AMNT Presentation

A practical approach to Integrated Risk Management “IRM”

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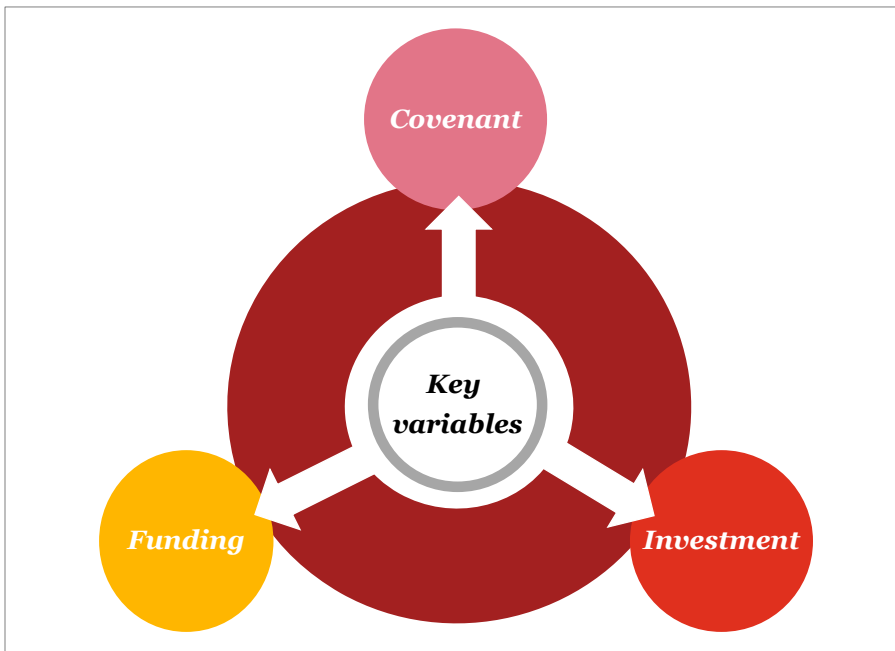


- This presentation is a discussion document to provide general guidance to the Association of Member Nominated Trustees and does not constitute professional advice.

IRM: Our objectives today

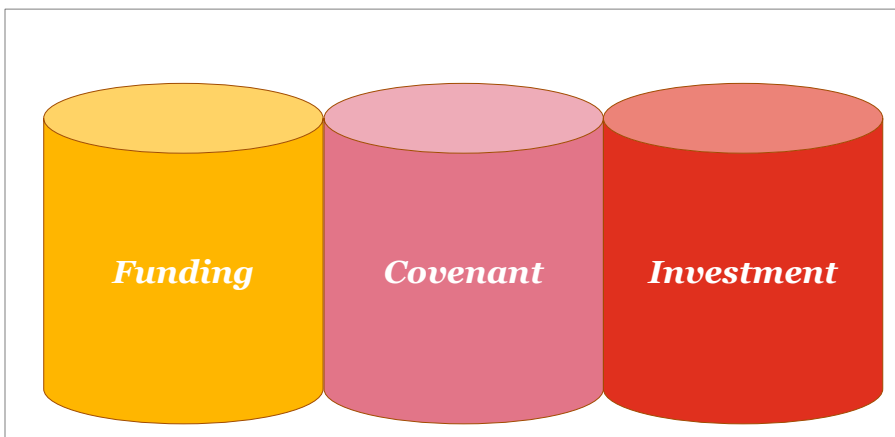
- Explain why IRM matters
- Help you understand your responsibilities in relation to IRM
- Offer practical tips on how to get the most out of it

IRM: In a nutshell



IRM aims to be:

- Integrated and risk focused
- An open discussions amongst Trustees, the Company and their Advisers
- Proportionate and cost effective



IRM: Approach and practical application

TPR's approach:

1. Initial consideration

- *Clarifying the Scheme's long term target and objective*

2. Assess risks

- *Understanding how covenant, investment and funding interact*
- *Understanding how well covenant can underpin scheme risk*
- *Setting funding and investment strategy based on risks and objective*

3. Contingency planning

- *Planning for downside scenarios and risks which can't be mitigated*

4. Document findings

- *Documenting clear the Scheme's objective, core risks, how these are managed and monitored*

5. Monitoring

- *Testing scheme monitoring metrics focus on the risks identified above*

What about the specifics... where can this approach help?

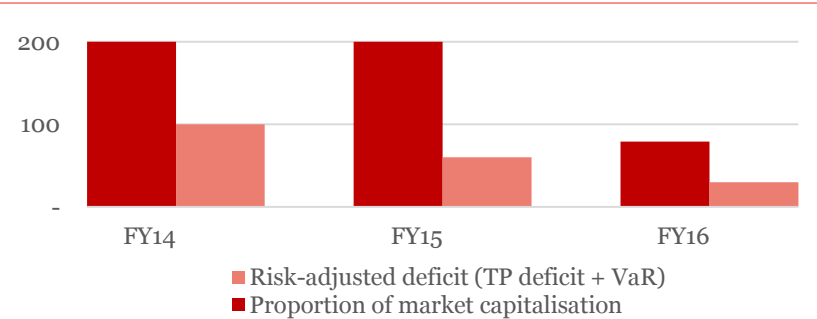
IRM: A practical approach to TPR step 1 - initial considerations



IRM: A practical approach to TPR step 2 - risk assessment

1. Where scheme is small relative to size of the employer. Potential approach:

- Validate the assertion that covenant can easily withstand scheme risk.
- Document and revisit if risks change.



2. Where scheme is of a material size relative to the employer. Potential approach:

- Consider workshop to discuss downside scenarios and correlation of risks.
- Discuss how mitigate, contingency plan and monitor. Document.

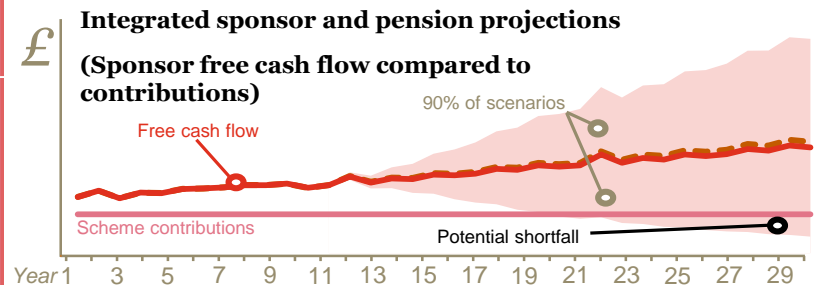
Scenario: A UK and global slowdown

A UK hard Brexit combined with a global slow down over a sustained period

Area	Covenant	Investment	Funding
Question	<ul style="list-style-type: none"> • Threat or opportunity? • What are the Brexit impacts on markets and regulation? • At what point should the Trustees start to worry? 	<ul style="list-style-type: none"> • Would the scenario be positive or negative for investment returns? • Could/should we do anything to hedge this scenario? 	<ul style="list-style-type: none"> • What impact will this have on funding? • Should the balance between cash and contingent assets change?
Impact?	● ● ●	● ● ●	● ● ●
Actions	Mitigate		Monitor

3. Where scheme is as big, if not bigger than the employer. Potential approach:

- Consider modelling scenarios of concern (both for scheme and employer)
- Discuss how to mitigate, contingency plan and monitor. Document.



IRM: Key takeaways

- *Use IRM to focus on the long term strategy of the scheme.*
- *Ensure any approach integrates advice on covenant, investments and funding, breakdown the silos.*
- *Ensure scheme context, objectives, risks and responses can be articulated clearly.*

IRM: Takeaway questions

TPR's approach:

1. Initial consideration

2. Assess risks

3. Contingency planning

4. Document findings

5. Monitoring

Can your Scheme's answer the following questions?

- What is the Scheme's long term objective?
 - Is the employer aware / in agreement with the objective?
-
- What risks drive covenant, investments, liabilities and are they correlated?
 - In "downside" scenarios, what is the employer's ability to support the scheme?
-
- What downside scenarios are you worried about?
 - What is being done to mitigate these scenarios?
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- Can the scheme context, objectives, risks and responses be clearly articulated?
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- Does your monitoring cover the risks identified above?
 - What action do you take if monitoring metrics highlight issues?
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