



**BOTSWANA PENSION SOCIETY**  
**Annual Conference**  
**26 February 2018**

# Agenda

- Definitions
- Importance of risk management in governance
- King IV
- Questions

# Definitions

# Duties of pension fund trustees

- act with impartiality in respect of all members and beneficiaries.
- ensure that proper registers, books and records of the operations of the **fund** are kept, inclusive of proper minutes of all resolutions passed by the **trustees**.

# Definitions

- “Risk management is a **continuous**, **proactive** and **systematic process**, effected by **management**,
- applied in strategic planning and across the entity, designed to **identify potential events** that may affect the entity, and **manage risks** to be within its **risk tolerance**, to provide reasonable assurance regarding the **achievement of objectives**”

**COSO**

# Risk management

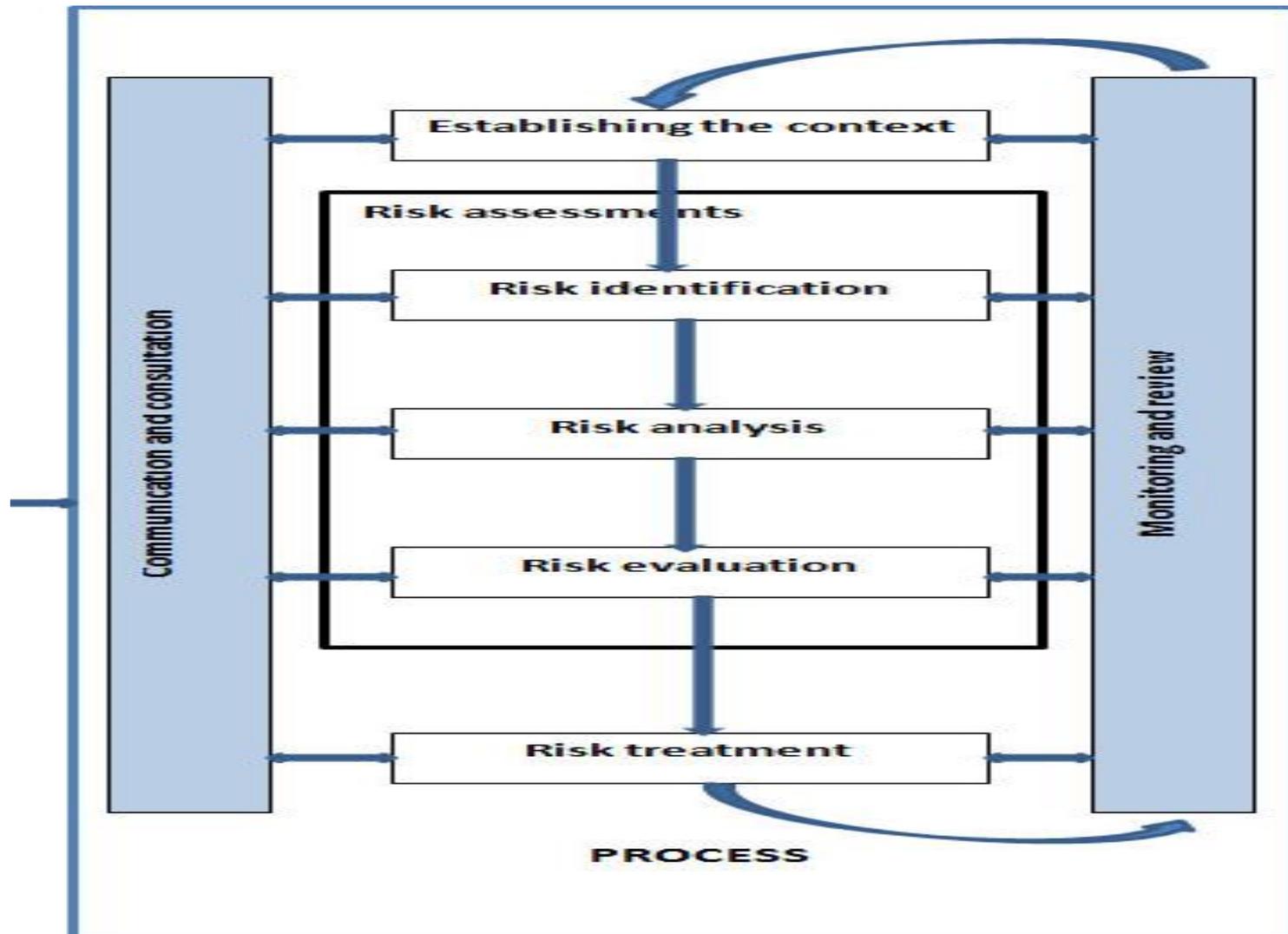
# Risk Management

*is about*

*creating the ability to respond timely*

*and at the right level*

# Risk Management Process



# Risk Management

- **Based on best available information**
- **Takes human & cultural factors into account**
- **Transparent & inclusive**
- **Dynamic, iterative & responsive to change**
- **Facilitates continual improvement & enhancement of businesses**

# Risk management – Pension funds

- Management oversight and culture
  - Strategy and risk assessment
  - Control Framework
  - Information and reporting
- Organisation for Economic Cooperation & Development

# Risk management – Pension funds

- Risk is about the future not the past
- You can't ignore the best of what you know
- What is the time horizon for risk
- 100% of our portfolio has risk even if we can't see it

Northfield Research

# Risk management – Pension funds

- Pensions fund pay benefits with Cash not investment assets – Liquidity matters
- The risks of underfunding and financial guarantees
- You can't just measure risk you have to manage it

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# King Code of Governance

# Primary role & responsibilities – Governance Cycle

- Steers and sets strategic direction
- Approves policy and planning
- Ensures accountability
- Oversees and monitors implementation & execution

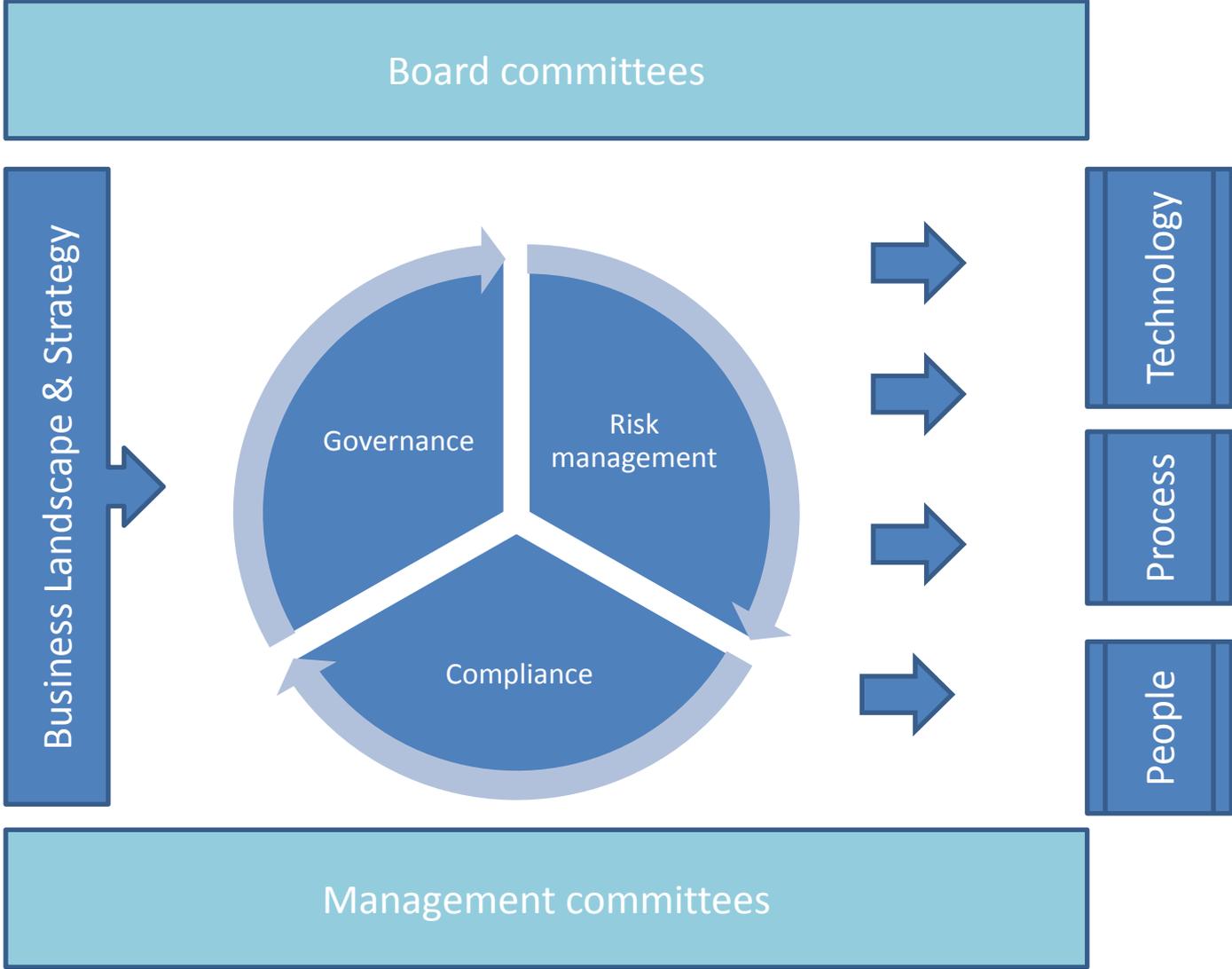
# 3 Building blocks of the Code

- Principles
  - Apply 17 principles – basic & fundamental to good governance
- Practices
  - Explain practices that demonstrate principles

# 3 Building blocks of the Code

- Governance outcomes - Benefits realised if good governance is achieved
  - Ethical culture
  - Good performance
  - Effective control
  - Legitimacy

# Integrated Governance Model



# Questions

- Risk bearing capacity & tolerance
- Capability of fund management
- Profile and needs of beneficiaries
- Do I have enough and regular information
- Insight to the future to plan for what needs to happen today

**Thank you**

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