**Professionalism and Governance**

**Governance Assignment 1 Notes**

(Part 1– Pensions Risk Management)

(Recommended Time: 2 hours)

1. **Case Study:**

**You are the Chair of the Trustee Board for a hybrid scheme which has a closed defined benefits section and an open defined contribution section.**

**A member-nominated trustee has recently been appointed to the Trustee Board. You are due to meet the new trustee to brief him on how the scheme is managed.**

**A key part of the discussion will be explaining the various risks and conflicts of interest that the scheme faces on an ongoing basis.**

**Prepare some notes for the meeting, outlining how the risks can be effectively managed, the various types of risks that are prevalent, and the new and emerging risks that now also affect schemes.**

See sections 1.2.7, 2.4.2, 1.3.1 and 1.3.2 of Part 1 of the manual.

Your answer should be in bullet point format, rather than a full written report. It should include reference to the following:

1. A plan to identify, document, evaluate and manage risks;
2. The importance of a risk register and what a risk register should cover;
3. TPR’s requirement to have adequate internal controls in place;
4. Brief mention of risk appetite and a risk management framework;
5. Full details of the 5 types of risk:
   1. operational;
   2. financial;
   3. funding (DB);
   4. regulatory;
   5. compliance;
6. Conflicts of interest policy;
7. Processes to identify, manage or avoid conflicts;
8. How emerging risks present risks to the scheme:
   1. climate change;
   2. pension scams.

Marks are awarded for drawing a clear link between the various points covered in the meeting, and the reasons why effective risk management is important – thereby showing an understanding of the underlying issues.

**60 marks**