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UNDERSTANDING & MANAGING

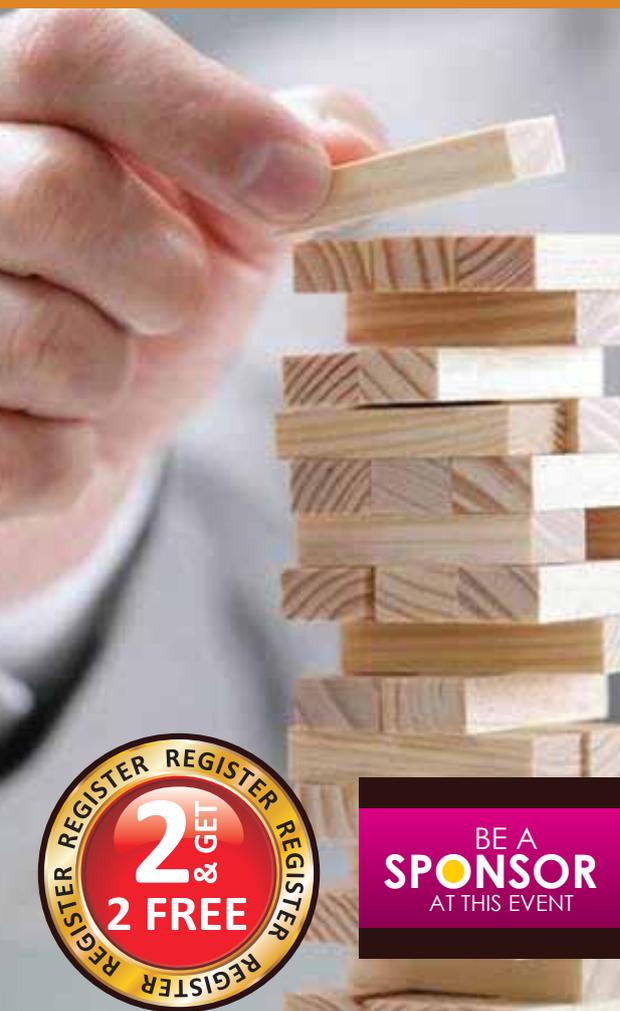
SUPERANNUATION FUND OPERATIONAL & INVESTMENT RISKS FORUM

18th-19th September 2017, Bayview Eden Hotel Melbourne

OPERATIONAL RISKS

FINANCIAL RISKS

INVESTMENT RISKS



- Key investment and operational risks under the microscope
- Insights into enhanced management the well-known superannuation fund risks and:
- Insights into how to identify, quantify and manage the big issue of less well recognised risks
- Superannuation fund risks – the regulator’s view
- Examples of risks identified in the regulator’s periodic fund reviews
- The Operational Risk Reserve – how much is enough?
- The risks entailed in outsourcing custody
- Unit pricing errors – the single biggest operational risk for superannuation fund
- Securities lending risks – does the fund understand the hidden risks in a securities lending program and is it really money for nothing?
- “Ponzi” defined benefit funds – lessons learned from overseas
- Investment risk to members – are we confusing market volatility with adequacy in retirement?
- External investment management risk – the operational aspects
- Short termism risk
- Investment fee risk – are we spending members’ money wisely in chasing the holy grail of active equity returns?
- Managing investment risk – the roles of the Chief Investment Officer and the Chief Risk Officer
- Tax risk – are we doing enough to address the risk of blowing out the fund’s single biggest expense?
- Longevity risk – will the member outlive their superannuation savings?

Exhibitors:



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SUPERANNUATION FUND OPERATIONAL & INVESTMENT RISKS FORUM

18th-19th September 2017, Bayview Eden Hotel Melbourne

Day 1 – 18th September

8:20 Delegate Registration & Coffee

8:55 Opening remarks from Chair Opening

Kyle Ringrose, Principal, Athena IOC

The operational aspects

9:00 SUPERANNUATION FUND RISKS – THE REGULATOR’S VIEW

- What does the regulator see as the key operational and investment risks for a superannuation fund
- Is there room for improvement in managing these risks?
- Examples of risks identified in the regulator’s periodic fund reviews
- The regulator’s views on potential future risks to emerge

9:30 RISK CULTURE – GOOD GOVERNANCE FROM THE TOP

- The risk governance model
- Initiating the organisation’s risk culture
- How to “set the example” from Board level down
- Promoting risk awareness – are we doing enough?
- Setting and measuring KPIs for risk management
- The trade-off between strong governance and nimbleness and flexibility

Rosalie Degabriele, Finance Discipline Group, University of Technology

10:00 RESPONSIBLE INVESTING OR ESG INTEGRATION

- Reputation - in a world where super fund holdings are public information, a fund’s reputation can be affected by holding shares in controversial companies.
- Investment – general speaking responsible investment portfolios are more concentrated and carry higher fees, is this rewarded with better returns? There are a range of very tough studies that have examined this.
- Fiduciary duty risk – legal opinion is shifting here. Traditionally the view was that “non-financial” or ethical issues should not be considered when investing as they are not part of the duty to “maximise returns”. In the modern world where companies are being brought to account for their licence to operate through media scrutiny, NGO activism and social media, the legal view is changing full circle. Again there are a number of precedents and legal papers to quote from here.

Michael Walsh, Chief Executive Officer, UCA Funds Management

10:30 Morning Coffee & Speed Networking

10:50 ENTERPRISE RISK MANAGEMENT – HOW TO GET BUY IN FROM STAFF AT ALL LEVELS

- Is an organisation wide risk register effective?
- Are tailored risk registers targeted for high risk functions a better approach?
- Does a targeted risk register develop greater ownership and engagement from key staff?
- How to develop and maintain a targeted risk register

Sean McGing, Director, McGing Advisory & Actuarial (MGAA)

11:30 THE OPERATIONAL RISK RESERVE – HOW MUCH IS ENOUGH?

- Should the level of Operational Risk Reserve be prescribed by the regulators
- How to determine the appropriate level of reserve
- The trade-off between adequacy of reserves and member benefits
- What happens if the Operational Risk Reserve is inadequate?

Jonathan Green, Head of Investment, Tcorp (Invited)

12:00 LIQUIDITY RISK

- What is the impact of asset allocation on liquidity risk?
- How to set liquidity risk tolerances
- What are the circumstances when liquidity risk can be beyond tolerance?
- Who should measure liquidity risk? – the CIO or the CRO/CFO?
- How to manage liquidity risk

PANEL DISCUSSION

1:30

PEELING THE FX ONION – RISK MANAGEMENT AND MITIGATION STRATEGIES

- Understanding FX in the context of overall portfolio risk
- Prudential obligations of fiduciaries, and other market developments
- Implementation choices and their implications
- Best execution vs efficient execution
- Risk identification and monitoring
- Effective management approaches to best align interests and mitigate risks

Brett Elvish, Founder and Director, Financial View Point

2:10

UNIT PRICING ERRORS – THE SINGLE BIGGEST OPERATIONAL RISK FOR SUPERANNUATION FUND

- Examples of historical errors and arbitrage and the costs incurred
- Is this crucial risk paid sufficient attention by the Board of Trustees and Executives?
- How does the Board and Executives get regular assurance that appropriate controls are operating effectively?
- Is the risk management framework all it should be?
- Is accountability for unit pricing errors allocated appropriately?

Ian Grubb, Associate Director, Ernst and Young

2:50 Afternoon Tea

3:20

SECURITIES LENDING RISKS – DOES THE FUND UNDERSTAND THE HIDDEN RISKS IN A SECURITIES LENDING PROGRAM AND IS IT REALLY MONEY FOR NOTHING?

- Is there a risk that a non-participating fund is disadvantaging its members?
- The difference between actual and perceived risks
- The critical difference between the lending agent’s perception of risk and the asset owner’s perception of risk
- Examples of pension funds that have lost money in securities lending and how it happened
- How the risk of these losses could have been mitigated
- How to tailor a securities lending program to meet the fund’s risk appetite

4:00

RECENT ADVANCES IN RISK MANAGEMENT

- Best practices in market and credit risk modelling
- Extending risk models beyond learning from the past
- Harnessing big data and sentiment analysis to improve risk forecasts
- Strategy risk: measuring the risk impact of uncertainty in manager skill
- Liquidity-adjusted risk: incorporating liquidity into risk measurement

Nick Wade, Director, Asia-Pacific Marketing, Northfield Information Services Asia Ltd.

4:30

SUCCESSION RISK – IS THIS GIVEN ENOUGH ATTENTION?

PANEL DISCUSSION

- What is succession risk?
- What could trigger succession risk??
- How to manage succession risk
- Consequences of failure to manage the risk

5:00 Closing Remarks from the Chair

5:00 pm - 6:00 pm Networking Drinks

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Day 2 – 19th September

8:20 Delegate Registration & Coffee

8:55 Opening remarks from Chair Opening

The investment management aspects

9:00 INVESTMENT RISKS – POPULAR, UNPOPULAR AND REAL

- What kinds of investment risks do we focus on
- What kind of investment risks should we focus on; and why
- How to measure investment risk in a changing world
- Investment risk mitigation strategies

Laurence Irlight, *Executive Director Indexed & Quantitative Equities, IFM Investors*

9:30 INVESTMENT RISK TO MEMBERS – ARE WE CONFUSING MARKET VOLATILITY WITH ADEQUACY IN RETIREMENT?

- The most common measure of investment risk is volatility. Is this appropriate for superannuation fund members?
- What is the true relevance of market volatility to the long term investor?
- Is “de-risking” by moving into less volatile assets always in the member’s best interests?
- What are the implications for “glide path” and Lifetime Accumulation strategies?
- The key difference between volatility of market prices and volatility of income

Iain Perry CFA, *Head of Portfolio Analytics & Investment Risk, Morningstar Investment Management, Australia*

10:00 INVESTMENT RISK FOR MEMBERS IN RETIREMENT

- Why the ASFA/FSC Standard Risk Measure and other generally accepted risk measures is not appropriate for members in retirement
- How to measure the real investment risk for retired members
- How to develop a meaningful and practical investment risk measure including detailed examples of application of this measure

Kyle Ringrose, *Principal, Athena IOC*

10:30 Morning Coffee & Speed Networking

10:50 SHORT TERMISM RISK

- Do the “league tables” help or hinder long term investment strategies?
- Is daily unit pricing appropriate for superannuation funds?
- The pros and cons of illiquid unlisted assets in a superannuation fund portfolio
- How to measure investment performance over longer periods

11:30 INVESTMENT RISK MANAGEMENT – BUILDING POWERFUL TOOLS TO INFORM DECISION MAKING

Michael Sofer, *CFA, Senior Consultant, Head of Quantitative Solutions, Frontier Advisors Pty Ltd*

12:00 MANAGING INVESTMENT RISK – THE ROLES OF THE CHIEF INVESTMENT OFFICER AND THE CHIEF RISK OFFICER

- Are investment return and investment risk management intrinsically linked?
- Is the CIO better placed to understand and manage investment risk?
- Is it appropriate to allocate investment risk management to the CIO
- To what extent should the CRO manage investment risk in addition to other enterprise wide risks?
- The roles of the Audit and Risk Committees and the Investment Committees in managing investment risk
- Managing potential friction between the CIO and CRO

Panel Chair:

Kyle Ringrose, *Principal, Athena IOC*

Panel Member:

Alistair G. Rew, *Head of Alpha Strategies, AMP Capital*

Other panel members TBA

12:40 Lunch

1:30 SEQUENCING RISK

- What is sequencing risk
- How big an issue is this for Australian superannuation fund members
- How do target date/lifetime accumulation strategies address sequencing risk?
- What alternative strategies can be deployed to address sequencing risk

Michael Armitage, *Head of Fund Advisory, Milliman*

2:10 LONGEVITY RISK – WILL THE MEMBER OUTLIVE THEIR SUPERANNUATION SAVINGS?

- Does the member spend too much or too little of their superannuation savings?
- How can a fund manage longevity risk for the members?
- To what extent can annuities provide a solution?
- Should superannuation funds look further into managing longevity risk by providing the member with the opportunity to tap into their home equity?
- What other strategies are available for pooling longevity risk?

Rebecca Weisser, *Research Associate, Centre for Independent Studies*

2:50 Afternoon Tea

3:20 TAX RISK – ARE WE DOING ENOUGH TO ADDRESS THE RISK OF BLOWING OUT THE FUND’S SINGLE BIGGEST EXPENSE?

- Are appropriate benchmarks being set for investment managers?
- Is investment performance measured appropriately?
- Are common post-tax performance measurement methodologies showing the true tax cost to the fund?
- How does overseas tax leakage occur, and how can it be managed?
- What are some of the key strategies to reduce the risk of paying too much tax?
- What are the risks of “sailing too close to the wind” in minimising the tax bill?

Raewyn Williams, *Managing Director, Research, Parametric*

4:00 CLASS ACTIONS RISK – IS THE BIGGEST RISK IN PARTICIPATING OR NOT PARTICIPATING

PANEL DISCUSSION

- How do class actions work?
- What are the risks to the fund in participating?
- What are the risks in not participating?
- Who provides these services and what are the pros and cons of each group of service providers?
- What are the financial risks to members of non-participation?
- What are the reputational risks to the fund of participation?
- How to tailor a class actions program to meet the fund’s risk appetite

5:00 Closing Remarks from the Chair

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