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PRESS RELEASE

NEW GUIDANCE FROM THE EMPLOYER COVENANT WORKING GROUP ON “INTEGRATED RISK MANAGEMENT”

24 May 2018: The Employer Covenant Working Group (ECWG) has today announced the issue of its guidance entitled *Integrated Risk Management* (IRM). This is the ECWG’s fourth practical guide targeted at covenant advisors and will also be of interest to trustees and sponsors of defined benefit (DB) pension schemes grappling with managing risk. The ECWG has been established by leading providers of covenant advice in the UK pensions market.

Donald Fleming, Chair of ECWG commented:

“IRM is the concept of looking at defined benefit (DB) pensions financial risk ‘in the round’ and understanding who takes what risk over what period and what can be done to manage and mitigate it.”

The three fundamental risks to DB schemes are grouped in terms of employer covenant, investment and funding. IRM investigates the inter-relationships between these risks and seeks to understand how risk in one might affect the others and how these risks might be mitigated and managed.

The TPR has emphasised in its regulatory guidance the need to understand and manage risk, since it is not possible to eliminate risk entirely, and that trustees should engage with the employer to establish their respective risk appetites and tolerance for downside events. Trustees should adopt a proportionate and integrated approach to risk management when developing an appropriate scheme funding solution.

The ECWG guide looks at this from the distinct perspective of the covenant practitioner. It comments that, in some cases, IRM will pose challenges for existing scheme governance frameworks which may require changes in the way trustee boards operate in order to assess risk areas both individually and together. It also examines how trustees and their respective teams of advisers can work closely and constructively together in this evolving field.

A copy of the IRM guide is available [here](#).

For further comment:

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