

► Investment Expert Session:

Asset Liability Management in Social security Institutions: challenges and best practice

Workshop hosted by the BPJS and supported by the Regional Actuarial Services Unit, ILO Bangkok

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Workshop agenda

8.30 - 8.40	Welcome and Introduction from BPJS and ILO
8:40 – 9:20	Expert session: Steven James, Managing Director, Strategic Portfolio Design / Global Leadership Team, Canada Pension Plan Investment Board (CPP Investments) Asset Liability Management in a social security context – strategic and practical issues
9:20 – 10:00	Questions and discussion
10:00 – 10:15	Coffee break
10:15 – 10:30	Asset Liability Management in the Region: Overview and key issues
10:30 – 11:00	Parallel breakout sessions 1: ALM for short- and long-term schemes and the issue of duration mismatches 2: Risk and return targets and constraints in the context of ALM 3: Practical implementation of ALM – the role of actuarial valuations
11:00 – 11:20	Reporting back
11:20 – 11.30	Summary of the day and close

Aims for today's Expert Session



Knowledge and
Experience from
the Expert




Mechanics of
ALM



ALM in the
Context of
Investment
Governance



Sharing of
Challenges and
Experiences



15 minute
coffee
break

Parallel breakout sessions

1: ALM for short and long-term schemes and the issue of duration mismatches

2: Risk and return targets and constraints in the context of ALM

3: Practical implementation of ALM – the role of actuarial valuations

1. ALM for short- and long-term schemes and the issue of duration mismatches : Questions to consider



Should there be a different approach to ALM for short term benefits and long-term benefits ? If so, what ?



What do you do if your pension scheme has an average liability duration of 15 years and the longest bonds in the market are 10 year bonds ?



What is your institution practice on ALM ? Explicit / implicit approach to taking into account liabilities in the investment function ?

2: Risk and return targets and constraints in the context of ALM: Questions to consider



How are risk and return targets set within your institution ?



How do you take into account liabilities in your return and risk targets (and their definition) ?



Share your return and risk targets and how they have changed with underlying liability changes and funding position

3: Practical implementation of ALM – the role of actuarial valuations: Questions to consider



How should actuarial valuation results and other actuarial analysis feed into investment decisions ?



How often should actuarial projections be undertaken ? What are the key liability risk factors to consider when undertaking valuations ?



Share how your institution uses actuarial work in the setting of investment objectives and therefore as input into ALM

Feedback

► Guideline 6. Taking into Account Liabilities and Funding Policy in Determining Investment Policy

Investment decisions and strategy take into account the level and timing of liability cash flows.

Actuarial *modelling* of long-term liabilities should be undertaken

Funding policy will affect the investment policy and strategy.

Proposed return target and risk management should be prepared by management and approved by the board.

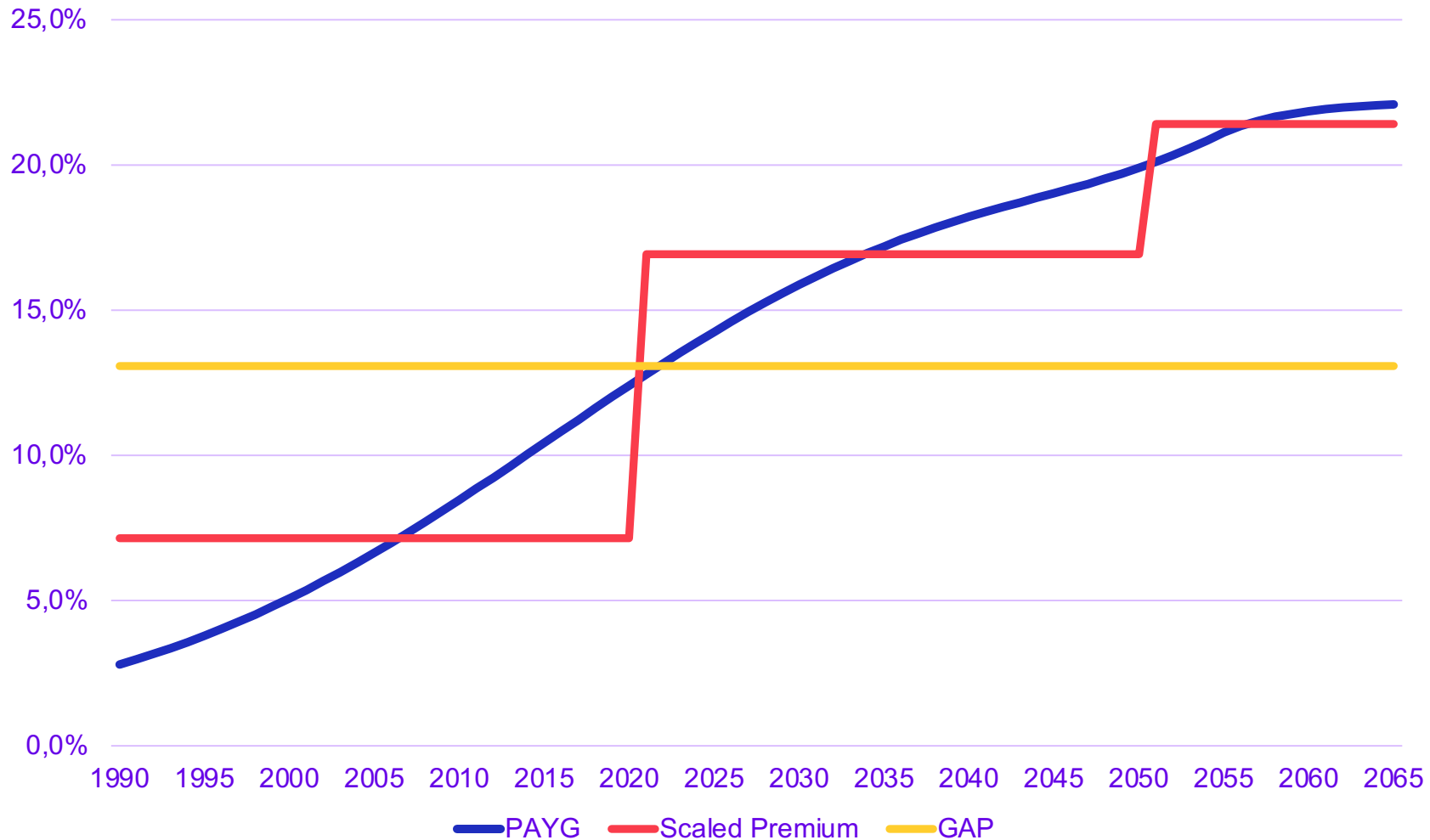
► Process of setting the SAA within a SSI

1. **Mission, beliefs and (risk/return/other) objectives of the SSI defined and signed off**
2. **Summary of constraints – liability profiles from the actuarial valuation and other restrictions**
3. **Data collection on asset classes (risk and return plus other characteristics)**
4. **Setting assumptions with approval from the SSI**
5. **Collection and analysis of relevant international experience**
6. **Analysis of different SAA options based on a standard risk & return methodology (eg Mean Variance Optimisation)**
7. **Recommendations based on the above steps**
8. **Implementation procedures including transition (depends on governance capacity)**
9. **Ongoing measurement, review and re-assessment**



Importance of a Financing Policy

PAYG vs GAP vs Scaled Premium approaches





Next Steps

What activities would you like to see ?

Thank you

Simon Brimblecombe