

Workshops on Investment Governance and ALM

Context and Overview

Investment Governance is the decision-making and monitoring process that must be put in place to ensure social security assets are invested appropriately. It is not only consistent with good practice but adds value in low return times. It can be defined as 'doing things right' and 'doing the right things'. Appropriate investment governance structures and mechanisms ensure effective management of social security reserve funds

Investment Governance is important because:

- Social security must meet its benefit obligations and good investment of assets supports this.
- Risks are more complex and the external environment more challenging than ever before.
- Effective management improves the financial position of social security systems.

A key aspect of Investment Governance is taking into account liabilities appropriately. Ultimately, the aim of the investing institution is to meet its promises to members of social security schemes. The workshops will focus on liability driven investment and Asset Liability Management – how to systematically take into account scheme liabilities in the setting and carrying out of an investment strategy.

Workshop Aims

This three day training workshop will cover key governance issues, use international examples and good practices and have interactive breakout sessions to facilitate the development, discussion and input of BPJS investment governance documents and processes. It is only with the foundations of Governance in place that an institution can carry out investment effectively.

A key element of the workshop will be the use of resources to support the investment governance principles set out in the ISSA Investment Guidelines. These Guidelines support social security institutions in the design, implementation and subsequent monitoring of an appropriate investment policy. The Guidelines provide guidance at all steps of the process from the setting up of appropriate structures and assigning responsibilities to the investment process itself. They are applicable to both social security institutions that carry out investment management internally as well as for those who use the services of external managers.

The aim of the workshop is therefore to improve investment governance knowledge for those involved in the investment management process as well as those overseeing the process. It will particularly focus on taking into account liabilities in the investment process.

Workshop Content

The structure of the workshop will be to follow a Governance Journey from the building blocks and foundations to the processes to put in place to plan, manage, monitor and assess investment management. It will assist participants in:

- Setting objectives and clarifying responsibilities
- Defining, carrying out and monitoring an appropriate investment strategy;
- Assessing risks and investment performance;
- Taking into account liabilities
- Reporting results and disclosing information.

We will use appropriate material with the *ISSA Guidelines on Investment of Social Security Funds* as a key source and significant focus on international experience and case studies. There will be interactive sessions so that the BPJS can share with the ILO their current challenges and constraints so that work plans can be put in place to address these.

Key features and proposed structure of workshop

The following sets out the draft structure and content:

Day 1: Principles and Structures

- Introduction to workshop
- The Governance Journey
- The building blocks of investment governance
 - Investment Governance Principles (Beliefs, Mission and Objectives)
 - Investment Governance Structures (Bodies and their responsibilities)
- Six key investment trends that will impact BPJS

Day 2: Investment management processes

- Taking into account liabilities and developing a Funding Policy
- Defining the risk budget
- Portfolio construction, strategic and dynamic asset allocation,
- Valuation, reporting, disclosure and monitoring performance

Day 3: Asset Liability Management and other investment issues

- ALM: definition and examples
- Other investment topics (TBC) – may include overview of issues such as Passive versus active, choice of external or internal managers, ESG etc
- Next steps and action points to improve governance and undertake appropriate LDI / ALM

Participants

BPJS will propose the participants and set out their background (experience, specialisms etc).