

Extending ERM to Multi-Employer Pension Plans

Doug Andrews, MBA, FCIA, FSA, CFA

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Abstract

The primary focus of research in enterprise risk management (ERM) has been on the corporation, with an emphasis on publicly traded companies. Some research has tried to apply an ERM approach to pension plans. However, many take the view that a pension plan is not an entity on its own, but exists within a corporation. As such it is just another set of risks of the corporation, and would be subsumed by the ERM approach used by the corporation.

In this author's opinion, that may be the correct way to consider single-employer pension plans; however, this paper will argue that it is not the appropriate thinking with respect to multi-employer pension plans (which come under many guises such as jointly trustee, Taft-Hartley, but will all be abbreviated as MEPP or MEPPs). This paper begins by identifying some of the special ERM considerations that a corporation which has employees who are members of a MEPP should include in its ERM program. However, the focus of the paper is on the MEPP as an entity and tools to be used in its ERM.

The paper looks at:

- financial risk management, including: investment policy, asset-liability management and economic forecasting for the industry
- operational risk management, including: governance structure, risk mapping and conflicts of interest.

The paper¹ addresses practical approaches to these issues and presents examples of tools that could be used in the ERM process.

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