Pension funds gradually make use of Enterprise Risk Management (ERM) framework in Japan. For long past periods, Japanese pension risk taking policy is not based on an enterprise point of view but on an asset return point of view and even that risk characteristics are by-product. This has changed after the experience of a subprime / Lehman shock and Greek / Europe credit incident and IFRS convergence discussion. ERM is rather governance issues and not only for investment but for pension scheme holistic points and controls. The points includes a scheme management, operations, pension financial healthiness including investment management, legal and legislation etc. The controls consist of assessment of risks, exploit and management of risks, and monitoring of risks. This paper focuses on the investment management part and tries to see governance results. Among pension scheme risks facing, investment risk has two faces. They should mitigate excess investment risk but need to take appropriate risk to get returns. This paper examine the relationship between pension funding ratio and risk averseness. The funding ratio directly affect the enterprise risk and risk averseness, ex post, could show investment risk taking policy.

Using Pension Fund Association researches of year 2009, 2010 and 2011 for more than one thousand pensions I performed additional calculation and analysis. I found that, according to pension funding ratio, pension risk averseness varies in specific ways and I think that shows pension funds are on the middle of holistic ERM taste investment management process. The ways are: (a) that if at under-funding, risk averseness is small (to take risk aggressively) and increases as funding ratio increases (less risk taking), and (b) that if at over-funding, risk averseness is decreases as funding ratio increases. Result (a) is on line with necessity of return seeking but lucking downside risk that affects sponsor contribution and result (b) seems to be showing natural increase of risk taking as over-funding status is strengthened but is contradicting against liability hedging concept. For the last point, there is the fact that all pension scheme is alive (on going) and need to beat expected discount rate, but the rate is not so much high level.

[Key words: ERM, Investment Risk, Risk Averseness, Pension Funding Ratio.]

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