

Three steps to smarter risk management for boards

David Burwell explores how boards can identify and manage the top risks facing their pension schemes

Let's face it, the role of the pension scheme trustee is becoming more and more challenging. Boards have too much to do just keeping 'business-as-usual'; running smoothly, without adding multiple complex projects, such as GMP equalisation, guided retirements and strategic endgame planning, as well as increased governance requirements. There are simply too many demands on boards, pension executive teams and precious meeting agenda time.

And in case you had not noticed, we are in a rapidly changing risk environment. Artificial intelligence (AI) is already disrupting established working practices and the way we engage with members and therefore introducing new risks for schemes. Operational disruptions from climate-related events or cyber-attacks are an increasing threat and if that is not enough, the geopolitical landscape is more unstable than it has been for decades. We are seeing significant volatility in investment markets, increased political risk and more complex scheme ecosystems to manage.

Alongside this, The Pensions Regulator's expectations for risk management have increased, with the introduction of the Risk Management Function and the need for most schemes to prepare an Own Risk Assessment. So, how can boards respond to the increased expectations of the regulator, alongside competing demands on agendas and a rapidly changing risk landscape?

Effective risk management for boards

in 2026 requires a deliberate change in approach to support them in using a forward-looking lens and to focus their risk management activity in the right areas. Here are our three top tips for effective risk management, based on our experience of working with boards:

1. Access specialist expertise

Many boards are benefitting from specialist risk management expertise appointed to support them with their ongoing risk management. This mirrors what we have already seen in Europe where the IORP II Directive requires pension schemes to formally appoint a Risk Management Function. An appointed risk specialist can provide expertise, oversight of existing and emerging risks and reporting to support the board with meaningful and focused risk discussions, leading to more informed decision making.

Aon's team of risk consultants are already supporting many boards in the role of Risk Management Function.

2. Focus on top risks

Spending time establishing your risk tolerances and metrics will support the board with concentrating their time on the key risk areas. Your top risks will change over time and need to remain relevant to your scheme, its long-term objectives and the current risk environment. For many schemes, non-financial risks such as cyber, AI and operational outages are now top risks, rather than financial risks that are typically now well managed and

mitigated. Boards need to understand their top risks and take a targeted approach to their risk discussions and actions. Focusing on top risks will ensure that trustees' valuable time is spent wisely.

3. Risk management tools

As with many things in 2026, there are technological solutions to help boards with risk management. Running through a few risks on an Excel spreadsheet every quarter can no longer be described as 'best practice'. But boards do not need another 100-page report added to an already bulging meeting pack. Online risk management platforms allow risk metrics to be set and measured in a consistent manner and produce clear, dashboard-style reporting. This allows boards to understand, at a glance, what the critical issues are and to manage risk in real time.

Aon's online risk management platform Aon Risk Manager, developed in partnership with Diligent, supports clients with the increased burden of risk management in today's environment.

Risk management is a critical function for boards, cutting across almost everything trustees do and can no longer be seen as 'just another piece of compliance'. Effective risk management ensures that the board's aim is squarely on key areas of risk and that strategic objectives remain on track.



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