

Profile

Client: Statens Pensjonskasse (SPK)

Location: Oslo, Norway

Description: Administers pension entitlements for the public sector

AUM: 7.6 billion Norwegian krone (€800 million)

Background

- Long-time Advent client
- Wanted an integrated platform to reduce manual intervention, improve operational efficiency and control, and provide investment flexibility
- Needed to replace spreadsheets with a dedicated risk management capability

Solution

Advent Portfolio Exchange®, Moxy®, Advent Direct® Data Services, GLX® and KlarityRisk's Paragon®

Benefits

- Integrated end-to-end platform supports all asset and instrument types
- Automated processes deliver efficiency and scalability, minimise costs and operational risk, and position the firm for regulatory changes
- Unified data service streamlines workflow and reduces errors
- Risk management system improves effectiveness and control, and allows easy daily updates

“By maximising automation in our processes using the Advent systems we reduce risk, helping portfolio managers make the right investment decisions.”

Liv Jorid Ødegård, Head of Middle Office, Statens Pensjonskasse

The Norwegian Public Service Pension Fund (SPK) is the country's main provider of public occupational pensions serving the public sector, schools and research institutions, as well as managing the assets for the pharmacy sector's pension scheme.

SPK has long sought to use a proven technology infrastructure that can help maximise the pension scheme's risk-returns. The firm started with Advent's Moxy® order management system and Axys® for portfolio management in 2004, before migrating in 2009 from Axys to Advent Portfolio Exchange® (APX). More recently, SPK enhanced this set up with Advent Direct® Data Services (ADDS) and KlarityRisk's Paragon risk management solution, giving the organisation the truly integrated, end-to-end tools it needs to fulfil its duties.

Investment Opportunities from Flexible Solutions

To meet its mandate, SPK has an open investment policy that considers all possible ways to make the best risk-returns. As such, it invests in an array of assets and instruments: single shares, equity funds, hedge funds, infrastructure and real estate funds, Norwegian and Nordic bonds, and various derivatives. So having a portfolio management system that can provide the robust operational support to handle such diversity is crucial.

“That's why I appreciate the flexibility in APX so much, because it doesn't limit our asset class or instrument use in any way,”

says Liv Jorid Ødegård, Head of Middle Office at SPK. “With APX, we don't have to wait for a technician to hard code any small changes we want to make. For example, if we need to process a derivative we haven't done before we can easily set it up in the system ourselves.”

APX's reporting flexibility is proving another value add. “We especially like the portfolio group functionality,” says Ms. Ødegård. “It allows us to report on the total assets of the scheme, as well as on specific sub-groups, for instance the assets managed by different portfolio managers. And we like how the reports allow us to look at information from whatever perspective we want.”

Spotlight on Control

Tools that enable rigorous portfolio oversight and control are becoming ever-more important too. “Regulation is increasingly moving towards capital requirements, which are based on the risk in your assets,” notes Ms. Ødegård. “Therefore, it is vital we have the technology to stay current on our capital requirements at all times by monitoring the positions and asset risks.”

New regulations for pension schemes and insurance companies will also call for more focus on operational risk, since it will be taken into account when assessing their total risk, she adds.

“Where there is a high possibility of errors you introduce a lot of operational risk. And if we do make an error, for instance

Client Story

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by manually inputting a wrong price, the portfolio report could be wrong. By maximising automation in our processes using the Advent systems we reduce risk, helping portfolio managers make the right investment decisions.”

Streamlining Data Management

SPK will gain further efficiencies through ADDS. With its connectivity to multiple data sources, ADDS serves as a single data platform, automatically delivering accurate data directly into SPK’s portfolio management and trading platforms.

“It’s really important to minimise our interfaces to the outside world,” says Ms. Ødegård. “That’s where problems often arise, and where solving those problems is most time-consuming, because it involves external parties. So we’re exploring ways to exploit ADDS to limit the interfaces we need to other systems and providers.”

A Paragon of Risk Reduction

Sophisticated capabilities and tight system integration, to maximise data flow and process automation, were also compelling factors behind SPK’s latest infrastructure enhancement: KlarityRisk’s Paragon risk management solution.

“Previously we used spreadsheet models to manage financial risk,” explains Ms. Ødegård. “But spreadsheets bring huge risks, because if you input something wrong into a formula everything is off. They can be difficult to update, so we weren’t able to do that on a daily basis, plus we couldn’t easily include hedging by options, for instance.”

With future regulatory changes stipulating firms have an accurate and up-to-date picture of their asset risks, SPK knew it

needed a dedicated and sophisticated risk management system.

“Compared to the other solutions in the tender process, Paragon offered the best combination of functionality and price. Integrating Paragon with APX is really straightforward too. We get the data into the system every day with no problems. APX is our technology hub, so everything we input into APX feeds into the other systems.”

It is early days, but SPK is already reaping the benefits of the Paragon system, with the promise of plenty more yet to come.

“The most important benefit so far is that we can update the risk status daily. Going forward, we aim to use the system as the basis for reporting to the board. We also plan to leverage its stress testing functionality to determine our regulatory capital requirement. So using Paragon for risk management brings us much closer to attaining the best practices we want to achieve.”

Human Value Add

For SPK, pursuing best practices and enhancing efficiencies across business functions remains a constant focus. Thankfully, Advent is there every step of the way—a commitment reinforced by its relationship management network.

“Generally we don’t have enough time to read about all the new product details, so the relationship manager often puts us on the right track as to what new functionality or products would be beneficial,” says Ms. Ødegård. “Also, if you want certain functionality, the relationship manager can pool the needs of more clients and bring that forward. So having a relationship manager adds great value to our business.”

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