

# The Effect of Good Governance and Internal Control on Risk Management and its Implications on the Organizational Performance (Studies in Pension Fund in West Java-Indonesia)

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## Abstract

One of the risks in the management of pension funds in the form of insufficient funds are available to meet the obligation to pay the rights of participants to receive pension benefits. By implementing the principles of good governance, internal control over risk management in the management of pension funds is believed to help improve organizational performance of pension funds. This study aimed to examine the effect of good governance and internal control of the implementation of risk management and its implications for organizational performance. This study measures the extent of the application of the principles of good governance and internal control in helping risk management and how much to integrate all three can improve organizational performance. The results of this study indicate that: (1) good governance does not have a significant relationship with the internal control, (2) good governance and internal control together or simultaneously and partially significant effect on risk management, and (3) good governance, control internal and risk management simultaneously and partially significant effect on the performance of the organization. This research was conducted at the Pension Fund with a Defined Benefit Pension Plan in the area of West Java, Banten. The results of this research can increase knowledge and understanding of the importance of applying the principles of good governance and internal control in managing risk and in turn resulted in increased organizational performance.

**Keywords:** Good governance, internal control, risk management, Organizational Performance, Pension Fund.

## 1. Introduction

In Industry Pension Fund, pension funds can be managed by one of them known as Employer Pension Fund (EPF). In practice, this pension funding agencies provide two programs, namely the Defined Benefit Pension Plan (PPMP) and Defined Contribution Pension Plan (PPIP).

Defined Benefit Program means the founder's commitment to fulfill the obligation to pay the rights of participants to receive pension benefits either as a result of past service and the obligation to prepare a long-term fund in order to have enough wealth. To meet this commitment, pension fund managers to raise funds through the collection of contributions to the participants and the results derived from the management of investment funds invested in investment instruments that can bring results with certainty and cost-efficient management. Therefore, the Pension Fund Governance Good (Good Retirement Fund Governance / GPFG) is indispensable for the purpose of pension fund management in a professional manner that meets the expectations of the stakeholders (Pension Fund Bureau, 2006).

The main risk in the management of pension funds with defined benefit programs include, first managing risk due to inability to pay retirement benefits for certain kind of time, amount, and participants pension beneficiaries. Second, the risk of the inability of fund managers develop pension funds optimally and safely (Santoso, 2011). Consequently the implementation of risk management and consistent management of pension funds can minimize the risks of such risk. Pension fund management performance can be measured by using the rate of return on investment, return on assets, ratio of Operating Costs, Funding Ratio, Complexity Portfolio Investment Instruments and compliance (ADPI, 2006).

Increased investment results can essentially improve the financial performance of the Pension Fund. One indicator koinerja is Return on Investment (Pension Fund Bureau, 2011). During 2010, it is known that the ROI as one of the indicators of financial performance in the EPF Pension Fund PPMP decreased when compared with the previous year. It is caused by a decrease of the level of investment in investment instruments (Bureau of Pension Fund, 2011).

The decline in the rate of investment, as the cause of the poor financial performance of the Pension Fund, due to several factors: 1). low awareness of the Board of the Pension Fund to manage risk, 2). implementation of risk management are not earnest and thorough, and 3). lack of implementation on the guidelines of Good Pension Fund Governance (GPFG) (Suharsono, 2010) as appropriate. GPFG is one measure of the performance of the Board in managing pension funds by way of assessment, both internal and external (independent party) (KEP-136 / BL, 2006). The same conclusion is also demonstrated by the results of research

Jafari M, et al. (2011) that there is a positive and significant relationship between risk management and corporate performance. While Naichilit, I et al. (2011) argued that the competitive advantage of the company expressed as a mediator in the effectiveness of risk management to improve the company's performance. Other researchers claim that integrate risk management with organizational performance, through the implementation of corporate governance assurance and compliance with all applicable regulations. Throughout the management are directly involved in the implementation of internal control and risk management strategy, councils direksilah which can provide all direction so that the performance of the organization can be achieved (Ratnatunga & Nature, 2012).

Implementation of internal control is expected to make pension fund as a professional fund management organization. By implementing good governance in fund management activities would be able to have an impact on adequate risk management and will eventually be able to improve the performance of the organization as reflected in the ability of the fund management organizations give a guarantee of certainty participants to receive retirement benefits on an ongoing basis (ADPI, 2006). This is evidenced by research Michelon et al., (2009) which states that the disclosure of the internal control system into the best practices of the implementation of good governance. Suryo Pratolo (2006) reveals that there is a direct effect on the internal control application of the principles of good governance and the direct and indirect influence on organizational performance. The same thing expressed by Hiro Tugiman (2003) which relates to the achievement of the objectives of internal control and organizational performance.

More broadly at the current corporate governance has focused on risk management (risk management) and regulatory risk (Daelen et al., 2010). System management and enterprise risk management is facilitated by information and report accurate and timely can push it produces better organizational performance (Ratnatunga & Nature, 2012). Furthermore, risk management and internal control systems are complementary to one another in terms of controlling the activity of the company (Poupart, 2012).

This study aims to explain the effect of the implementation of good governance and internal control of the implementation of risk management and its implications for the performance of the organization in terms of the Pension Fund's financial performance. Financial performance will be measured by the criteria that exist in Indonesia Pension Fund Association abbreviated ADPI.

## Google

**Kata kunci** : Good governance, Internal Control, Risk Management, Organizational Performance, Pension Fund.

### 1.Introduction

## 2 Review of Literature

### 2.1 Good Governance

*Organization for Economic Cooperation and Development (OECD)* in Siswanto and Aldridge (2005:2) defines corporate governance as follows:

*Corporate governance is the system by which business corporation are directed an controlled. The corporate governance structure specifies the distribution of rights and responsibilities among different participants in corporation, such as the board, the managers, shareholders and aother stakeholders and spells out of the rules and procedures and for making decision on corporate affairs. By doing this, it also provides the structure through which the company objectives are set, and the mean of attaining those objectives and monitoring performance.*

As for the ASX (Australian Stock Exchange) in Siswanto and Aldridge (2005: 3) corporate governance is defined as follows: "Corporate governance is the system by the which companies are directed and managed. It influences how the objectives of the company set and Achieved, how risk-monitored and assessed, and how performance is optimized. " Furthermore, according to the Forum for Corporate Governance in Indonesia (FCGI), corporate governance is a set of rules that govern the relationship between shareholders, management orngisasi, creditors, government, employees, as well as internal and external stakeholders other relating to their rights and obligations or system the controlling organization (fcgi, 2002). Good corporate governance is defined as a system to direct and control an organization. A similar sentiment was expressed by Zarkasyi (2008: 36) that good corporate governance is a system (input, process and output) and a set of rules governing the relationship between the various stakeholders, especially in the narrow sense of the relationship between shareholders, board of directors and the board of directors for the achievement organizational goals. Ruin (2003: 19), adding that the key component of good corporate governance within each organization ranges from about: internal control, risk management, performance and accountability and managing relationships with various stakeholders.

Principles of Good Corporate Governance (GCG) according to the OECD (2004): Fairness, Transparency, Accountability, Responsibility. Principles of Good Pension Fund Governance (GPFG) in the Pension Fund by Decision of the Chairman of the Capital Market Supervisory Agency and Financial Institution No. 136 / BL / 2006 consists of five basic principles, namely:

#### 1. Transparency

To keep maintain objectivity in carrying out its activities, the Pension Fund shall apply openness and

transparency in all submission and disclosure of relevant material and information yan regarding pension funds in a timely manner, adequate, clear and reliable.

2. Accountability

Clarity functionality, implementation and accountability of the Pension Fund should be established in writing.

3. Responsibility

Pension Fund had a responsibility to Participants and Founder / Employer and obey the Law No. 11 of 1992 on the Pension Fund and other implementing regulations in order to ensuring the sustainability of retirement benefit payments.

4. Independency

Retirement funds are professionally managed without conflict of interest and influence / pressure from any party.

5. Fairness

Pension Fund observes the interests of all stakeholders based on the principle of equal treatment and reasonable utility function.

## 2.2 Internal Control

According to the Committee Of Sponsoring Organizations of the Treadway Commission (COSO, 2004), internal control is defined as follows: *Internal control is a process, affected by entity's board of directors, management and other personnel, design to provide reasonable assurance regarding the achievement of objectives in the following categories :*

- a. *Effectiveness and efficiency of operation*
- b. *Reliability of financial reporting*
- c. *Compliance with applicable laws and regulations.*

Furthermore Tugiman Hiro (2003) describes the definition of internal control in the context of a non-profit organization as a process that is done by people, from top management to the executive, which are designed to provide reasonable assurance of the achievement of organizational goals with conditions: (1) efficient and effective activities; (2) the reliability of the information; and (3) adherence to laws and regulations.

To achieve the objectives of internal control, management must implement the components of internal control in their activities. COSO internal control components according to (2004) consists of: environmental control (control environment), risk assessment (risk assessment), control activities (control activities), information and communication (information and communication) and monitoring (monitoring).

## 2.3 Risk Management

Risk management can be defined as "risk management is a rational attempt to reduce or avoid the Consequences of loss or injury" William et al. (1998). CIMA in Collier et al. (2007) defines risk management as: "Process of understanding and managing the risk that organization is inevitability subject to attempting to Achieve its corporate objectives". Institute of Risk Management (2002) in Collier et al. (2007) defines risk management as: "The process roomates Organizations methodically address the risk to Reviews their activities with the goal of Achieving sustained benefit within and across the portfolio of all activities".

COSO (2004) in Moeller (2007) defines risk management as:

*A process, affected by an entity's board of directors, management and other personnel, applied strategy setting and accros the enterprise, designed to identify potential events that may affect the entity, and manage risk to be within its risk appetite, to provide reasonable assurance regarding the achievement of entity objectives.*

Risk management framework for bank financial institutions generally includes four components of risk management - risk identification, risk assessment, risk mitigation, and monitoring and reporting of risk (Bessis, 2002). Elements of risk management according to the Institute of Risk Management (2002) in Collier et al. (2007), among others, Risk Assessment, Risk Evaluation, Risk Treatment, Risk Reporting, which can be described as follows:

COSO (2004) in Collier & Ampomah (2006) and Moeller (2007) provides risk management model that has 8 components:

- a. *Internal environment;*
- b. *Objective setting;*
- c. *Event identification;*
- d. *Risk assessment;*
- e. *Risk Response;*
- f. *Control activities;*
- g. *Information and Communication;*
- h. *Monitoring.*

Some stage in the process of risk management can diimplementasika the Pension Fund can be explained as follows:

- a. Determination of the level of acceptable risk (risk tolerance)  
Limit the level of acceptable risk should be determined quantitatively, among others, the variance or standard deviation.
- b. The identification and measurement of risk  
Risk identification should be done periodically or in the event of risk triggers. In this process, the entire area of potential losses identified carefully.
- c. The response to the risk  
Risk identification and measurement results are then used as the basis for determining the response to risk, whether the risk would be acceptable, transferred, is minimized or avoided.
- d. Monitoring and adjustment  
Monitoring and adjustments need to be done to assess the success of the Management of risk. In the monitoring process should be a mechanism for the management of early warning so that management can take actions that are considered necessary for the management of pension funds remain in accordance with the established framework (AKAI, 2008).

Risk management is a continuous process, carried out during the management of pension funds do. It is undeniable that the risk management costs. Cost considerations in risk management important to do so in accordance with the benefits obtained. The management need to find cost-benefit balance in risk management.

#### **2.4 Organizational Performance**

Robertson (2002) in Mahmudi (2007) explains that performance measurement is a process of assessing the progress of work towards the achievement of goals and objectives that have been determined. While Sturman (2001) states that the performance is a multidimensional construct that is very complex with a lot of difference in meaning depending on who is being evaluated, how is evaluated, and what aspects are evaluated.

Jones (2001) states that organizations must constantly change to develop its effectiveness, the changes are shown to find or develop a way to use existing resources and capabilities to enhance the ability to create value and improve performance. To assess the performance of the organization is required indicators (criteria) for mnegukurnya and adapted to the purpose or reason for the establishment of the organization. Bastian (2006), stated that performance indicators are quantitative and qualitative measure that describes the level of achievement of the set objectives.

Indonesia Pension Fund Association (ADPI, 2006) determines the performance assessment criteria pension fund as follows: (a) return on assets, (b) Return on Investment, (c) Ratio of Operating Costs, (d) Funding Ratio, (e) Investment Portfolio , (f) Compliance.

In this study, researchers will use only the size of the pension fund's financial performance as determined by ADPI to achieve the research objectives. It is based on the Basics of Public Pension Fund Investment Guidelines prepared by the Investment Committee Team ADPI (2003) states that: "risk management aims to improve the financial performance of a company, make sure that the company did not suffer an unwanted loss, achieving a combination of risk and optimal return ".

#### **2.5 Management of Pension Fund in Indonesia**

Pension Fund is a business entity incorporated under the agreement of the owner, manager of the company, and workers in meeting the statutory provisions to ensure the sustainability of the pension plan participants income, ie the employees after completion of crimes. Pension fund managers will make decisions and behave in such a way that the impact of decisions in managing pension funds, and generate reports that illustrate that the pension fund manager's decision, has resulted in the best performance for the company founders and participants of the pension plan (Act 11 of 1992). This condition, in accordance with the theory of pragmatics and can be explained through the theory of accounting as well as a variety of other applications theory refers to a variety of research results.

EPF and Pension Fund managers have the primary task of managing the pension contribution in order to generate returns that can shut down the growth of pension benefits, as well as manages the administrative aspects of the entry forms and payment of the rights of participants. In the task of managing the pension fund will mengosumsi number of funds derived from fees for administrative and operating costs. These costs will reduce the amount of funds available to invest, which in turn can reduce the potential return on investment. As occurred in the business enterprise, in particular pension fund EPF PPMP (Defined Benefit Pension Plan) ensued various conflicts of interest are interesting to study, among others, that the interests of participants who are employees of the company founders are receiving pension benefits at retirement time according promised benefits. Therefore, information about the ability of the Pension Fund maintain level funding ratio as one of the

performance indicators of the Pension Fund to avoid deficit, a key issue for employees of the company founder (Muljadi, 2011). The interests of pension fund managers are smooth operation, including operation and maintenance. While the allocation of resources within the Pension Fund for the operation and maintenance, will reduce the amount of funds available to invest. Based on this, the EPF PPMP to set the maximum proportion of operating and administrative expenses, excluding the cost of investing a maximum of 5% of net assets (ADPI, 2006).

## 2.6 Types of Pension Funds

Under Act No. 11 of 1992 on Pension Fund, Article 1, point 2.3, and 4 there are three types of pension funds. First, Employer Pension Fund (EPF) is a pension fund established person or entity that employs the employees, as the founder, to organize Defined Benefit Pension Plan (BPP) or defined benefit contribution pension plan (BCPP) or defined contribution for the benefit of the majority or all of its employees, and create an obligation on the employer. PPMP is a pension plan whose benefits are set out in the regulations of the Pension Fund, while the PPIP is a pension plan that the fee specified in the regulations of the Pension Fund and the contributions and investment results recorded on the account of each participant as retirement benefits. Second, the Pension Fund Based Gain (PFBG) ie employer pension funds that held Defined Contribution Pension Plan, with contributions only from the employer based on a formula linked to the advantage of the employer. The third type of pension funds, are Financial Institutions Pension Fund (Pension Fund), the Pension Fund set up by a bank or insurance company to organize a defined contribution pension plan for individuals, both employees and self-employed separate from the employer pension fund for bank employees or a life insurance company concerned (Act No. 11 of 1992).

## 3. Theoretical Framework

In the framework of the implementation of good governance need for standards or principles that will guide the organization's management practices to enhance the value and viability of the organization. Organization for Economic Cooperation and Development (OECD, 2004) has developed the following principles: (1) fairness (fairness); (2) transparency (transparency); (3) accountability (accountability); and (4) responsibility (accountability). In connection with the unit of analysis of this study was the Pension Fund, the principles of good corporate governance commonly called the Good Pension Fund Governance (GPFPG) used in accordance with the Decision of the Chairman of Bapepam-LK 136 / BL / 2006, namely: transparency (transparency), accountability (accountability), responsibility (responsibility), independence (independency) and equality and fairness (fairness).

Many factors related to the realization of the implementation of good governance, including the implementation of internal control (Sri Fadi, 2011). To be able to apply the principles of good governance, control and supervision of the main thing. Internal control consists of organizational planning and coordination of all methods and measures adopted in a business to maintain assets, test the accuracy and reliability of data accounting, operational efficiency and encourage the promotion of adherence to the provisions of managerial (Arens et al., 2010 ). To achieve the objectives of internal control, management must implement the components of internal control in each operating activities. COSO (2004) mentions that the components of internal control consists of: environmental control (control environment), risk assessment (risk assessment), control activities (control activities), and accounting information (information and communication) and monitoring (monitoring). With the implementation of the internal control components are consistently expected to ensure the creation of process management (good governance) in order to achieve effectiveness and efficiency. A similar sentiment was expressed by Michelon et al., (2009) that the disclosure of the internal control system into the best practices of the implementation of good governance. This is evidenced by research Petrovits et al., (2010), which conducts research on the causes and consequences of internal control issues in nonprofit organizations. The research results prove that the poor reporting for nonprofit organizations is due to the weakness of internal control, and impact on the organization of non-transparent and unaccountable. Internal control in an organization is a tool that encourages the achievement of efficiency and effectiveness of the use of human resources, including personnel, so that organizational goals can be achieved optimally, can further affect the performance of the organization (Arens et al., 2010). Next implementation of good governance and internal control in the organization has a relationship with the implementation of enterprise risk management (Enterprise Risk Management / ERM) and will have an impact on the achievement of organizational performance. The researchers believe that the strategy of the organization can be achieved through a system of risk management and implementation of the system relies heavily on the support of top management that includes a board of directors (Ratnatunga & Nature, 2012). Risk management is integrated with the performance of the organization, through the implementation of corporate governance assurance and compliance with all applicable regulations. Throughout the management are directly involved in the implementation of internal control and risk management strategy, councils direksilah which can provide all direction so that performance can be achieved.



In particular, the board of directors may provide a measure of how much the level of acceptable risk in the implementation of the risk management process (Ratnatunga & Nature, 2012). Good governance is significantly affect the implementation of control systems better to improve company performance and shareholder value. Repair shareholder value can contribute to other stakeholders in meeting accountability for the company's business. Compliance functions often seem important role in corporate governance. In other words it can be said that compliance with regulations not only fulfill its mandate but also expected to be a culture to achieve the performance of the company (Ratnatunga & Nature, 2012).

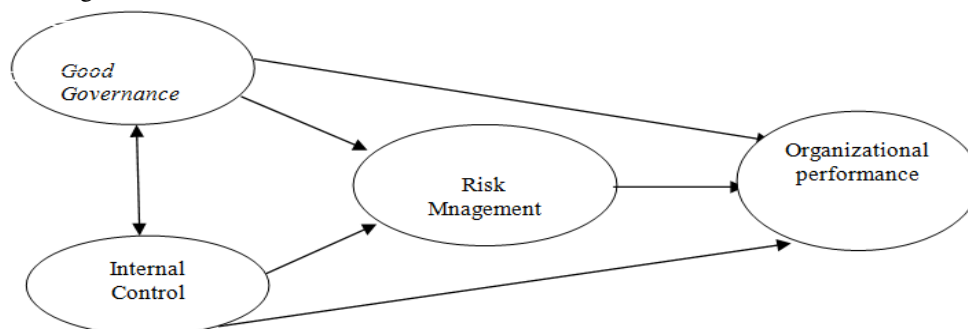
Risk management can be defined as the process of identifying, monitoring, reporting and responding to risks that include financial, operational, strategic, and legal information that may occur within the company (Daelen et al., 2010). Risk management has been known for a long time is strongly influenced by corporate governance. Although many experts have defined corporate governance, the OECD (2004) has defined corporate governance as a set of relationships between the management of the company, the board of directors, shareholders, and other stakeholders who cooperate with one another in achieving corporate goals and monitor performance has been determined . In more simple corporate governance is defined as a system that directs and controls the activities of business organizations (OECD, 2004). And can be viewed on good corporate governance is a system that directs and controls the organization as a basic framework in implementing accountability and disclosure as well as increase the value and confidence of stakeholders (Taylor, 2001). More broadly at the current corporate governance has focused on risk management (risk mangement) and regulatory risk (Daelen et al., 2010). System management and enterprise risk management is facilitated by information and report accurate and timely can push it produces better organizational performance (Ratnatunga & Nature, 2012). Risk management and internal control systems are complementary to one another in terms of controlling the activity of the company (Poupart, 2012)

At the Pension Fund does good governance or good governance and further called Good Pension Fund Governance / GPFG will encourage the development of institutions, resource management and risk efficiently and effectively. So by increasing the risk of pension fund and wealth management *penyelenggaraan* Pension Plan, is necessary to increase the quality of the organization of the Pension Fund are obedient to the laws in force and in line with generally accepted practices through the implementation of pension fund governance: Good Pension Fund Governance ( Decision of the Chairman of Bapepam-LK, 2006). Based on the political and institutional perspective, ERM (as part of the control) will complete (as contingency theory) between each other in the organization. On the other hand, there are several studies that show the relationship between the effectiveness of risk management and corporate performance (Andersen, 2008). The same thing also expressed by Collier (2006), namely: "Risk management was perceived to improve organizational performance, especially a risk awareness affected to a lower risk profile capital markets." Another view is shown by the results of research Jafari M, et al. (2011) that there is a positive and significant relationship between risk management and corporate performance. Nachailit, I et al. (2011) argued that the competitive advantage of the company expressed as a mediator in the effectiveness of risk management to improve the company's performance. Some research on pension funds has been made by several researchers, especially relating to risk management such as Franzen (2010), states that the capacity in risk-taking is a key element in the Defined Benefit pension fund. Stewart (2010) research shows the framework of risk management in several pension funds and other financial institutions. Associated with the pension fund's performance appraisal, Indonesia Pension Fund Association (ADPI, 2006) determines the following criteria: (a). (A) return on assets, (b) Return on Investment, (c) Ratio of Operating Costs, (d) Funding Ratio, (e) Investment Portfolio, (f) Compliance

#### 4. Study Model and Hypothesis

##### 4.1 Study Model

Based on the overall framework above, it can be formulated paradigm linkage between good governance, internal control, risk management and organizational performance in a study of the model, as shown in figure 2.2, the following:



## 4.2 Hypothesis

Based on the framework that has been described previously, the hypothesis can be formulated in this study:

- a. There is a relationship between good governance and internal control.
- b. There is the influence of good governance and internal control of risk management simultaneously or partially.
- c. There is the influence of good governance, internal control and risk management to organizational performance simultaneously or partially.

## 5. Methodology, Finding and Discussion

The method used in this research is to be explored (exploratory study), because it is research that are only conduct examination / investigation of the variables presented (Cooper and Schindler, 2006). Explanatory research refers to a theory or hypothesis to be tested as the cause of a phenomenon..

Data was collected through questionnaires in the mail delivery and semi-structured interviews. Questionnaires were sent to the employer pension funds that held a Defined Benefit Pension Plan or DPPK PPMP in West Java, Banten recorded in the Bureau of Pension Fund in 2010, represented by the Board of the Pension Fund which amount each DPPK PPMP average of three board members. Based Pension Fund Annual Report 2010, the number of EPF PPMP and PPIP is 28 for the region of West Java, Banten, with details of 24 DPPK PPMP and 4 EPF PPIP. Delivery questionnaire by mail has its disadvantages, which are usually lower rate of return mail. According to Sekaran (2009: 83) response rate of 30% is considered acceptable. Therefore, to accelerate the acquisition of the questionnaire answers were followed-up by telephone, e-mail, and went to the respondent.

The study population was DPPK PPMP in Indonesia in 2010, as many as 208 DPPK PPMP. While the study sample were selected purposively is DPPK PPMP operating in West Java - Banten in 2010 as many as 24 DPPK PPMP represented by the average of three Board. Selection DPPK PPMP in West Java - Banten as a purposive sample on the basis that: the PPMP DPPK average financial performance as measured by the rate of at least 10% ROI (Pension Fund Bureau, 2010).

In accordance with the proposed research hypotheses, the data will be tested using path analysis (path analysis). Path analysis examines the causal relationship of the structural nature of independent variables on the dependent variable by considering the relationship between the independent variables.

Based on the test results for the first hypothesis tcount result that the correlation coefficient between good governance with internal control (1.4953) and smaller than t table (2,074). Because tcount smaller than ttable, then the error rate of 5% was decided to accept Ho so that H1 is rejected. So based on the test results it can be concluded that good governance does not have a significant relationship with the institution's internal control employer pension funds that held a Defined Benefit Pension Plan across West Java, Banten.

Based on the test results for the second hypothesis the result that the value of F (9.790) and greater than the F table (3.467), then the error rate of 5% was decided to reject H0 so that H1 is accepted. So based on the test results it can be concluded that good governance and internal control simultaneously significant effect on the risk management of the institution employer pension funds that held a Defined Benefit Pension Plan across West Java, Banten.

Based on the test results for the second hypothesis is partially obtained that tcount good governance variables (2.2673) greater than t table (2.080). Because tcount greater than ttable, then the error rate of 5% was decided to reject Ho so that H1 is accepted. So based on the test results it can be concluded that good governance significant effect on the risk management of the institution employer pension funds that held a Defined Benefit Pension Plan across West Java, Banten. These test results provide empirical evidence that the better the application of the principles of good governance will improve risk management in organizations employer pension funds that held Defined Benefit Pension Plan across West Java, Banten.

Based on the test results for the second hypothesis is partially derived tcount internal control variables (2.7833) greater than t table (2.080). Because tcount greater than ttable, then the error rate of 5% was decided to reject Ho so that H1 is accepted. So based on the test results it can be concluded that the internal control significant effect on risk management in employer pension funds that held a Defined Benefit Pension Plan across West Java, Banten. These test results provide empirical evidence that the better the internal control will improve risk management in employer pension funds that held a Defined Benefit Pension Plan across West Java, Banten.

To test the third hypothesis, from Table F for the 0.05 significance level and degrees of freedom (3; 20) obtained Ftable value of 3.098. The test criteria are, "reject Ho if F count > F table". Because of the results obtained by the value of F (24.212) and is greater than the F table (3.098), then the error rate of 5% was decided to reject H0 to H1 accepted. So based on the test results it can be concluded that good governance, internal control and risk management simultaneously significant effect on the performance of the organization in employer pension funds that held a Defined Benefit Pension Plan across West Java, Banten.

Based on the test results for the third hypothesis, partially the result that good governance tcount

variable (2.4788) greater than t table (2.086). Because tcount greater than ttable, then the error rate of 5% was decided to reject Ho so that H1 is accepted. So based on the test results it can be concluded that good governance significant effect on organizational performance in institution employer pension funds that held a Defined Benefit Pension Plan across West Java, Banten. These test results provide empirical evidence that the better the application of the principles of good governance will improve organizational performance in institution employer pension funds that held a Defined Benefit Pension Plan across West Java, Banten.

The third hypothesis testing results following partial, obtained tcount internal control variables (2.8476) greater than t table (2.086). Because tcount greater than ttable, then the error rate of 5% was decided to reject Ho so that H1 is accepted. So based on the test results it can be concluded that the internal control significant effect on the performance of the organization in employer pension funds that held a Defined Benefit Pension Plan across West Java, Banten. These test results provide empirical evidence that the better the internal control will improve organizational performance in employer pension funds that held a Defined Benefit Pension Plan across West Java, Banten.

Based on the results of the partial third hypothesis testing, further obtained tcount risk management variables (2.9739) greater than t table (2.086). Because tcount greater than ttable, then the error rate of 5% was decided to reject Ho so that H1 is accepted. So based on the test results it can be concluded that the risk management have a significant effect on the performance of the organization in employer pension funds that held a Defined Benefit Pension Plan across West Java, Banten. These test results provide empirical evidence that better risk management will improve organizational performance in employer pension funds that held a Defined Benefit Pension Plan across West Java, Banten.

## 6. Conclusion

Based on the formulation of the problem, the formulation of hypotheses and the results of the research, the authors draw the following conclusions:

1. Good governance does not have a significant relationship with the institution's internal control employer pension funds that held a Defined Benefit Pension Plan across West Java, Banten. This can occur in the absence of the full support of the Board of Trustees and the Employer in an effort to improve the implementation of internal control. Another reason is suspected because the study sample only includes employer pension funds with Defined Benefit Pension Plan in the area of West Java, Banten.
2. Good governance and internal control together or simultaneously and partially significant effect on risk management in employer pension funds that held a Defined Benefit Pension Plan across West Java, Banten.
3. Good governance, internal control and risk management simultaneously and partially significant effect on the performance of the organization in employer pension funds that held a Defined Benefit Pension Plan across West Java, Banten.

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