

Trustees need to plan how to conduct their Own Risk Assessment (ORA) to suit their scheme and circumstances. If executed well, the ORA should strengthen the scheme's governance framework, allowing weaknesses to be exposed and addressed, as well as providing comfort to trustees that other aspects of the framework are robust.

What is an ORA?

The ORA is an assessment of how well the scheme's Effective System of Governance (ESOG) is working, and the way potential risks are managed.

Legal Background

Occupational pension schemes with 100 or more members are required to establish and operate an ESOG including internal controls. The ESOG must be proportionate to the size, nature, scale and complexity of the activities of the scheme.

Regulations provide that The Pensions Regulator (TPR) should set out in a code of practice (the general code) how the ORA should be carried out and documented.

The ORA must be carried out within 12 months beginning with the last day of the first scheme year that begins after 28 March 2024. This means that schemes with year-end dates of 31 March, or 5 April must carry out their first ORA by 31 March 2026, or 5 April 2026 respectively. Schemes with a year end date of 31 December must carry out their first ORA by 31 December 2026.

Schemes with fewer than 100 members are required to operate adequate internal controls. These schemes are not required to comply with all aspects of the general code (including the ORA), but TPR considers it to be good practice to do so.



Getting Started

Trustees should consult the [ORA module](#) of the general code. This includes TPR's expectations around documenting the process, including that the ORA should be in writing and signed off by the chair of trustees. Consider whether trustee training or a facilitated workshop would be a useful starting point.

TPR does not plan to issue templates to aid trustees with their ORA due to concerns that the process would turn into a tick-box exercise. Trustees need to agree a process that works for their scheme. Advisers should be able to help trustees to formulate an approach.

There is no single correct way to approach the ORA, but here are a few practical points to consider.

- What are the trustees' objectives relating to the ORA and how can it be conducted in a way that adds real value to the scheme?
- Consider key areas of risk. It makes sense to look most closely at areas identified as high risk on the risk register, and any other processes that have a big impact on ongoing scheme activity.
- Assess where weaknesses in the ESOG are most likely. Trustees could ask themselves questions such as these.
 - Has the ESOG been impacted by recent areas of change – such as a change in legislation, new service providers or changes to the trustee board?
 - How thoroughly were scheme processes examined when policies were revised or implemented for general code compliance? Were any of the processes adopted without full consideration, due to time constraints?
 - Do trustees suspect that there may be a weakness in processes that involve a particular function or a particular service provider?
 - Can any patterns be identified stemming from member complaints?
 - Do key advisers have any concerns that should be considered as part of the ORA?

Trustees can then formulate a plan for which areas of the ESOG require the most attention.

Who?

Trustees will need to agree who is best placed to carry out the ORA, and consider any actual or potential conflicts of interest.

Avoid Duplication

Trustees can take account of work that has already been carried out – duplication is not necessary. Some schemes may have governance sub-committees that undertake routine audits. Trustees can also ask for evidence of work carried out by others, such as assurance reports from service providers.

The Outcome

The ORA is unlikely to show that the ESOG is perfect. Trustees should expect to emerge with a "to do" list of processes that need to be updated or improved, and matters that need to be further investigated.

What if the ESOG is Incomplete?

Conducting the ORA starts with the premise that the ESOG is in place. If the ESOG will not be completed in time to conduct the ORA, seek legal advice on the best approach.

Going Forward

The ORA must be carried out every three years. New assessments should also be carried out where elements of the ESOG, or risk management processes, are new or updated and whenever there is a material change in the ESOG or risks facing the scheme. Trustees may wish to schedule a block of time for the second ORA to be carried out, or they may view the ORA as a continuous "business as usual" process and assess each element of the ESOG throughout the three year cycle. Maintaining an ESOG log, including the date that policies are next due to be reviewed, will help trustees to keep control.



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