

Thoughts on our first Own Risk Assessments

Having successfully completed two ORAs, one in Ireland and one here in the UK, we thought we'd share 3 overarching takeaways from the process.

1. To do it properly takes time and Trustee commitment

The first ORA exercise will take time; though the speed at which it is completed very much depends on how the Trustee prefers to work.

We completed the ORA with the Irish scheme in 5 months, with a hands-on ORA Working Group, committed to working at pace. This process was more weighted to a review of risks and the risk management approach.

In the UK, where we are working with a large hybrid scheme, we've taken longer, working with an engaged and dedicated Working Group and the Audit and Risk Management Committee. Having time has allowed work to be done at a pace that suited the Trustee. It could have been done more quickly if needed and we'd anticipate the next ORA, given the improved working practices put in place, could be completed within 6 months. This process has looked at all aspects of governance and risk management.

2. The “value add” can be significant

Taking objectives as a starting point provides an opportunity to reflect on the Trustee's role and purpose for their scheme and its specific circumstances. What makes your scheme, and the way you govern it and manage risks, different from any other?

Are you a Trustee who aims to be a market leader, seeking to achieve excellence in every aspect of your operation, or are you more focused on compliance and getting the fundamentals right?

Understanding this context and the specific objectives sets the tone for the ORA work, but, more importantly, for how all the moving parts of the scheme come together in practice.

On the next page, we've picked out a few examples of what we found during the process, all of which we were able to help resolve.

3. Investment in the initial ORA enables self-assessment in the future

It's important to get the first ORA process right and lay the foundations for future processes. Some external support is likely to be needed initially. However, we believe with a robust framework in place schemes should be able to run future exercises themselves and have confidence in their process and the findings.

We have left both schemes with a mapped-out process and tools to run the ORA themselves in the future.

So to conclude

Our reflection is that the ORA is a positive and valuable exercise that can lead to meaningful and long-lasting improvements in a scheme's governance framework.

Trustees achieve materially strengthened controls, improved processes and acquire the knowledge and understanding to operate future ORA processes independently. What's not to like!



Processes are not always aligned policies

a Trustee policy might specify that a decision is with the Trustee, yet in practice it is being made by the administrator;

Not all policies and processes are documented

they are known but might be lost or open to misinterpretation if the people with the knowledge in their heads are no longer there;

Inconsistency of messages across scheme documents

different parties might refer to a specific document for their work but it might not match up with what's actually expected;

Lack of clarity around delegations

if delegations are not clearly articulated and well documented you might see duplication of work, unpicking of proposals, things not being done correctly or at all, the moving parts not being joined up;

Risks may not reflect the specific circumstances of the scheme and its objectives

the risk of not achieving the long-term funding target, when broken down into its component parts of covenant, funding and investment risks, will look very different from one DB scheme to another depending on the strength of the employer covenant, the feasibility of achieving the funding target in the agreed timeframe and the investment strategy in place;

Lack of evidence on the effectiveness of controls

knowing that the controls in place are sufficient and working as they should be to manage identified risks is critical – there's often not enough focus, information and assurance on the effectiveness of the controls;

Incomplete risk event reporting and escalation frameworks

the best incident response plan can't be invoked if the incident isn't reported and escalated to the right stakeholders with the right message at the right time.

We could go on, but that's a taste of where the ORA process has added value.

Do get in touch if you'd like to discuss preparing for your first ORA, rosanne@museadvisory.com.

