

PENSIONS AND LIFETIME SAVINGS ASSOCIATION

SOUTH EAST

**Welcome to the 2024
Spring Seminar**

Taking the Code on the road

PLSA South East Group

Presented by: Simon Lewis

Date: 7 March 2024

Agenda – start your engines!

- Background to the Code
- Building an Effective System of Governance (ESOG)
- Lessons learned so far
- Recap of required action and timeline
- Own Risk Assessment (ORA)

Road to the Code

1

March 2021 – Draft Single Code was published – 51 modules – ESOG framework (renamed General Code in March 2023)

2

10 January 2024 – Final General Code published

3

27 March 2024 – General Code expected to come into force - Effective System of Governance (“ESOG”) required

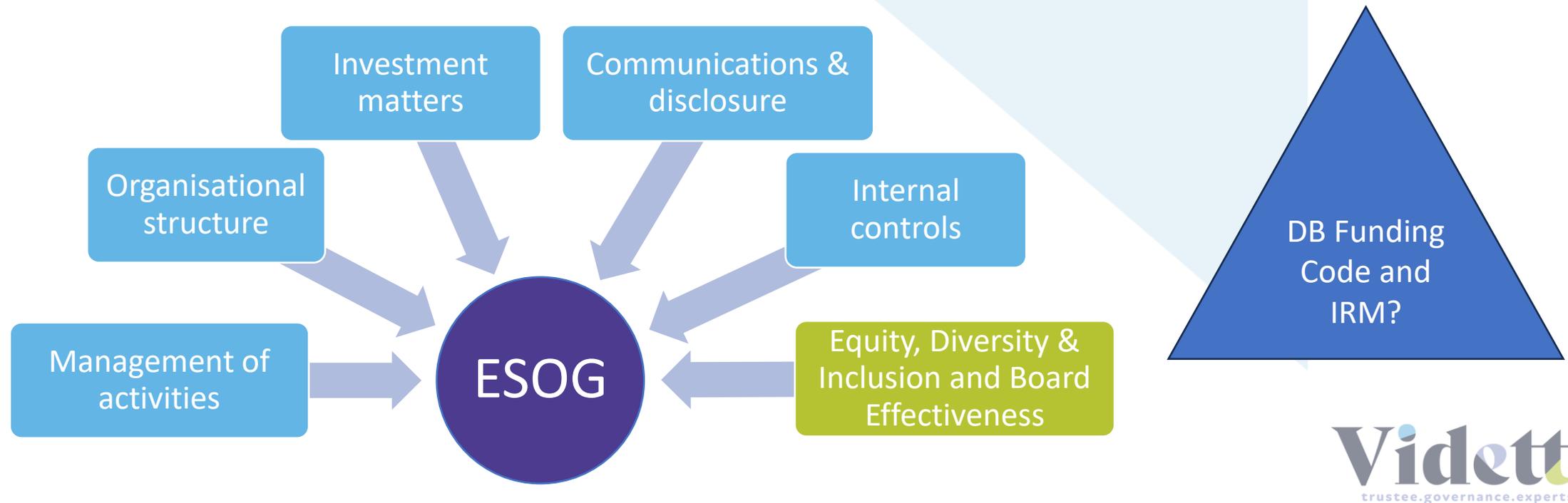
4

Own risk assessment (“ORA”) for schemes with over 100 members to be completed within 12 months of the end of the first full Scheme year

What's under the bonnet

The ESOG:

1. is a documented record of how the pension scheme operates
2. enables you to understand exactly how your scheme is governed
3. incorporates all the legal requirements and key elements of the general code



Plan your route!

- Determine which parts of the general code are not currently documented
- Adopt new policies and processes to fill those gaps
- Have clear evidence of all business, decisions, and risks managed
- Decide who should run the project
- Make sure that you agree a plan now

It takes a lot of time to implement new policies & procedures - it is important to have a plan so that your ESOG is fully up and running by the end of your 2024/25 scheme year

Have you got insurance?

Even the best run schemes will need to make some changes

Risk Management Function required – Risk Committee / and or Scheme Secretary?

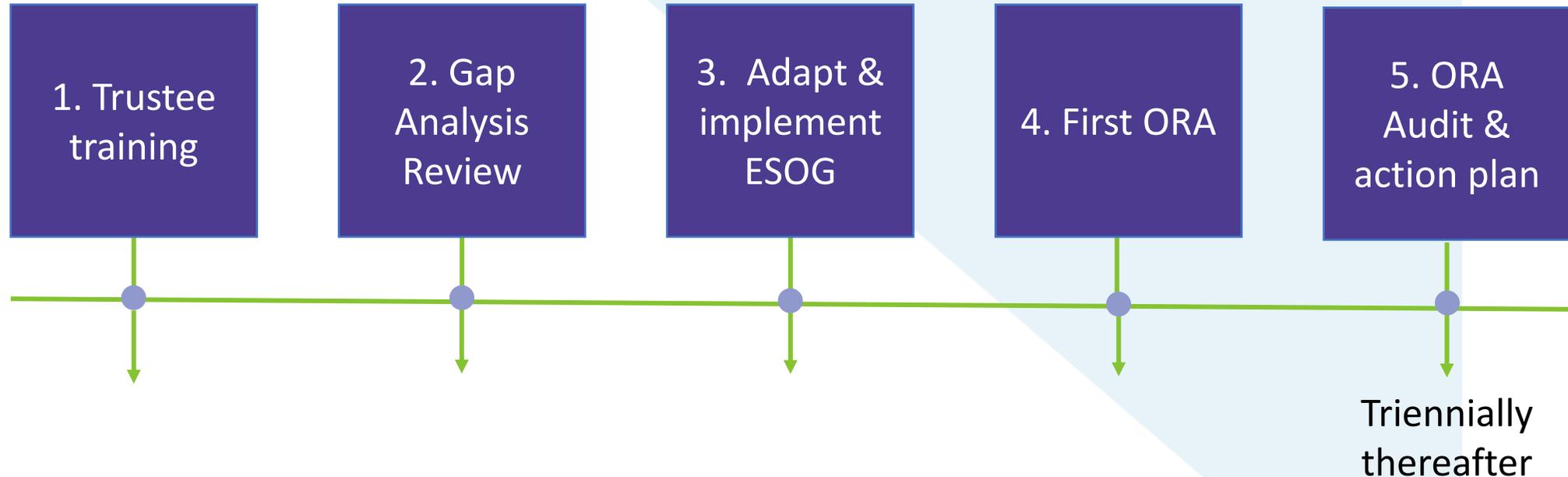
Use of professional support essential (but remember it's Trustee's ESOG)

Remuneration policy – this should be principles based and no need to publish or include actual figures

Equity, diversity & inclusion – wording strengthened on expectation to comply with TPR guidance

Emphasis on proportionality
(mentioned 27 times in final Code!)

Recap of required action and timeline – MOT time!



Trustees need to make sure all the different policies and processes which make up their ESOG are in place during the **2024/25** Scheme year and will then have a further year to complete the first ORA sometime in **2026**

Own Risk Assessment (ORA) – MOT time!

Documentation to cover:

- How the Trustees have assessed the effectiveness of each of the policies and procedures over the previous Scheme year
- Whether the governing body considers the operation of the policies and internal controls to be effective and why

Effectiveness of, and risks arising from, the ESOG, ie.:

- Policies for Trustee
- Risk management policies
- Investment
- Funding
- Administration
- Payment of benefits

No prescribed approach – no publication required

Not all of the elements forming the ORA need to be assessed at the same time

No need to send to TPR – but they may ask for it

First ORA to be completed within 1 year of the end of the first full scheme year – then at least every 3 years

Any questions?



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General Code

Risk Management and Your First
Own Risk Assessment

March 2024



Timeline for First ORA



Last day of the first scheme year

12 months to produce ORA after this date

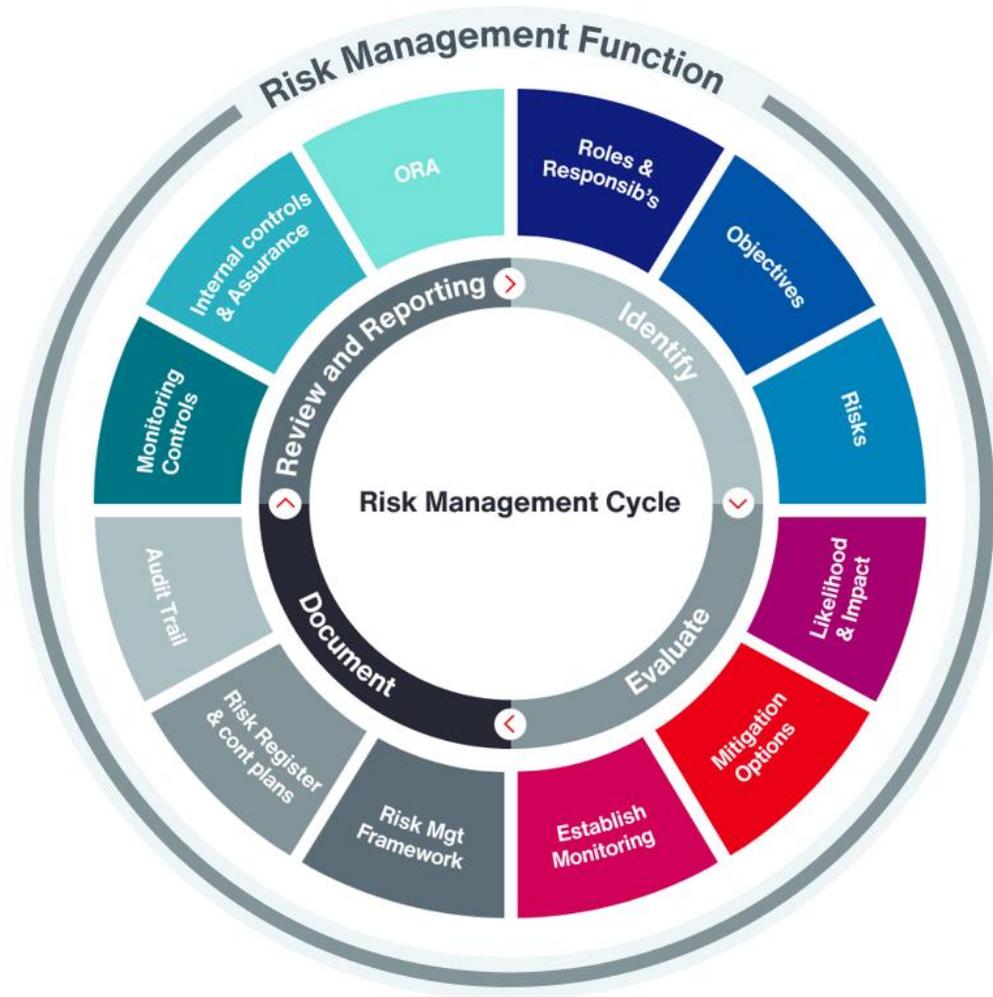
<u>Scheme Year</u>	<u>Deadline for first ORA</u>
31 March	31 March 2026
31 October	31 October 2026
31 December	31 December 2026



The Code now makes direct reference to legislation.

The ORA is required every three years

Risk Management Cycle



1.
Identify

2.
Evaluate

3.
Document

4.
Review and Reporting

What is Your ORA?

**Self-assessment carried out by Trustees,
signed off by the Chair**

Captures:



How governing body has assessed the effectiveness of policies and procedures?



Whether the governing body considers them to be effective for each element?



Your ORA will be easy to complete if you have carried out the earlier activities within the risk management cycle and have a good audit trail.

What Should it Include?

The Code specifies the requirements for the ORA. This checklist will help to ensure you have covered everything.

	Complete
1. Documentation Format <ul style="list-style-type: none"> written assessment date of assessment date of next assessment date of any interim reviews carried out or to be carried out in future signed by the Chair 	
2. Content <ul style="list-style-type: none"> how have you assessed effectiveness of the policies and procedures under the ESOG? does the trustee believe the operation of the policies and procedures is effective and why? 	
3. Risk management policies <ul style="list-style-type: none"> Assess the effectiveness and risks arising from the following: <ul style="list-style-type: none"> how the risks affecting the scheme have been identified and assessed the effectiveness of internal controls and reliance on assurance reporting management and prevention of conflicts of interest the effectiveness of continuity planning for the scheme 	
4. Investment <ul style="list-style-type: none"> the investment governance process how performance is monitored and reviewed how have climate change and environment risks been assessed? how have social risks been assessed? assessment of potential depreciation of assets due to regulatory or societal change how the protection mechanisms available to the scheme have been assessed and the risks of them failing how is the security and liquidity of assets assured? how is the protection of member benefits assessed in the event of insolvency of a sponsoring or participating employer or the decision to discontinue the scheme? 	
5. Funding (DB Schemes) <ul style="list-style-type: none"> How the trustee assess scheme's funding needs with reference to its recovery plan and sponsor covenant? How are risks associated with indexation of member benefits managed? 	

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The Regulator's General Code of Practice - Own Risk Assessment

In Depth

February 2024

- management of the risk of circumstances where benefits may be reduced
- how are risks from scams and members making poor choices managed?

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Last One Standing

