

ORA documents: illustrative templates

The following templates serve examples of how to present:

- A policy on conducting the ORA and;
- Results of the ORA (ORA results report).

IORPs are encouraged to use and adapt the illustrative templates to suit specific characteristics and needs.

The ORA represents the IORP's own view of its risk profile, and the funding and other means needed to address these risks.

ILLUSTRATIVE TEMPLATE OF THE ORA POLICY

Expected date for completing the (next) ORA:

Reporting reference date:

Scope of the ORA: [full assessment], [partial assessment of specific pension scheme(s): identification of the pension schemes assessed]

Anticipated time for re-conducting an ORA: [3 yearly regular update], [significant change in the risk profile of the IORP], [significant change in the risk profile of one or more pension schemes]

Potential reasons / triggers for re-conducting an ORA before the anticipated time

Reference to other relevant documents which are necessary or useful to interpret this ORA: *e.g. SIPP, risk management policy, ...*

1. Scope

This section should provide a description of the IORP's risk profile in relation to:

- Risk objectives

- Risk tolerance limits

- Consideration of the membership structure in relation to the IORP's risks

- Time horizon considered with respect to short-, medium and long-term risks

- Funding requirements, if applicable

2. Description of the method(s) and risk measurement(s) used by the IORP to conduct the ORA

This description should include a clear identification of the method(s) used for conducting the risk assessment as required under the IORP II Directive, making distinction, if any, between the actuarial methods for determining the liabilities, the methods used for assessing the short term risks and the methods for assessing the risks in the long term.

Illustrative examples: common balance sheet, full standardised risk assessment, specific modules of the SRA, ALM, specific national methods, stress testing, scenario analysis...

Description of any significant changes to the methods and/or parameters used for carrying the ORA since the last assessment, including reasons for these changes and their expected impact on conducting the next ORA.

Description of data quality and possible issues

3. Description of the ORA process within the IORP's risk management system and governance

Description of *how the ORA is integrated into the risk management system and decision-making processes of the IORP (i.e. risk culture) including reference to where further information on the IORP's risk management system can be found*

Description of *who is involved in the ORA within the IORP's risk management governance and their responsibilities in relation to the ORA.*

4. Description of adjustment and security mechanisms and risk mitigating techniques available to the IORP

This description should cover all adjustment and security mechanisms, as well as any risk mitigating techniques (such as reinsurance) that are available to the IORP. The description should cover the functioning of the mechanisms, including in which circumstances these mechanisms will intervene and may mitigate risks (which risks) for the IORP and its members and beneficiaries. It should also describe the interactions between those mechanisms and the final expected result with regard to the risks and finally the funding needs of the IORP.

The section should specifically describe the extent to which accrued pension benefits can be reduced, under which conditions and by whom.

Possible adjustment and security mechanisms:

- *indexation/reduction of benefits*
- *sponsor support*
- *pps*

Possible risk mitigating techniques:

- *reinsurance*
- *derivatives*
- *...*

This section should set out the context in which the IORP operates. As part of the ORA the IORP will need to assess the effectiveness of the mechanisms. The results of this assessment is to be reported under section 11 of the results report.

5. Overview of the IORP's risks to be assessed in the ORA [policy]

*As part of the description of the risk profile of the IORP, **this section should include a full overview of all risks that are being assessed in the context of this ORA. This overview must include both quantifiable as well as non-quantifiable risks.***

For each risk, a short description of the risk should be included as well as how this risk will be measured and reported, the impact the occurrence of the risk may have on the IORP (f.i. high, medium, low), the probability of occurrence (f.i. high, medium, low), the risk tolerance limits and any other risk mitigating measures. The 'owner' of the risk should also be mentioned, i.e. the function/person/department that

will follow-up on this risk. Each risk should also be considered in terms of duration i.e. short-, medium- or long-term

Non-limitative list of possible risks:

- ALM risk, specifically the mismatching risk
- Market risks: equity risk, property risk, ... in particular derivatives, securitisations and similar commitments
- Pension liability risks: longevity risk, ...
- Counterparty risk: lenders, sponsor, ...
- Operational risk: outsourcing, cyber, etc ...
- Liquidity risk:
- Concentration risk:
- **ESG risks (irrespective if ESG factors are being considered in the investment policy of the IORP):...**
- Other risks: ...for instance, scheme specific (e.g. cross-border activities), reputational risk, sponsor covenant

ILLUSTRATIVE TEMPLATE OF THE ORA RESULTS REPORT

Insert reference to where the ORA policy can be found if the two documents are separate

Date of completion of the ORA:

Date of adoption of the ORA results report:

1. Assessment of investment risks

Describe emerging issues such as

- Any significant deviations from the investment portfolio compared to the strategic asset allocation set in the SIPP during the period under consideration, describing the effects these deviations had on the return and risk profile of the investment portfolio
- For ALM / mismatching risk
- For other types of market risk

2. Assessment of pension liability risks

This section provides an overview of all quantifiable results of the ORA, with an explanation for each of the figures, allowing full comprehension and a proper interpretation of the results. Part of this explanation should cover any differences between the results of the ORA compared to the national regulatory standards with respects to valuation and funding. Such comparison can also be done where the IORP uses the common framework in the context of the ORA, in which case the quantifiable results for the assessment can be extracted from the excel tool.

3. Assessment of counterparty risk

This section provides an overview of the assessment on counterparty risks with supportive explanations.

4. Assessment of operational risks

This section provides results of the assessment on operational risks with explanations for each relevant category e.g. fraud.

5. Assessment of concentration risk

This section provides results of the assessment on concentration risk, with explanations for each relevant area e.g. investment risk, outsourcing of activities.

6. Assessment of governance risk

This section provides results of the assessment on regarding the effectiveness in the IORP's system of governance with explanations and interpretation of the results

7. Assessment of strategy risk

This section **provides results of the assessment on regarding the IORP's business strategy**, if relevant, with explanations and interpretation of the results

8. Assessment of ESG risks

This section **provides results of the assessment on ESG risks** with explanations for each relevant category e.g. transition risk, stranded assets risk.

9. Assessment of regulatory risk

This section **provides results of the assessment regarding the IORP's ability to comply with existing laws and forthcoming, new regulation**, with explanations and interpretation of the results.

10. Assessment of other risks

This section **provides results of the assessment for other risks identified by the IORP in the ORA policy**, with explanations and interpretation of the results.

11. Outcome of the ORA results

Relevant context to the interpretation of the ORA results

Assessment of the impact of any significant changes to the methods and/or parameters used for carrying the ORA since the last assessment, if applicable and mentioned in the ORA policy

Assessment of data quality issues, if applicable, encountered during the conduct of the ORA or if already mentioned in the ORA policy

Revised funding requirements

Current and future material changes to the risk profile of the IORP

Description of any material changes in the IORP's risk profile since the adoption of the ORA policy but also forward-looking and for which risks?

Assessment of the impact of material changes in the IORP's risk profile on sponsor(s), members and beneficiaries (also distinguishing between short-term, medium- and long- term risks)

Effectiveness of security mechanisms and risk mitigating techniques

Qualitative assessment of the reliance on and effectiveness of the security mechanisms, and any other risk mitigating techniques (such as reinsurance, derivatives hedging, ...) available to the IORP, distinguishing between short term and long term risks.

This assessment should also include, when relevant, an analysis of the financial health of the sponsor, the maximum sponsor support, the value and effectiveness of the sponsor covenants.

12. Remedial actions and decisions of the IORP following completion of the ORA

The IORP should **provide an overall conclusion of its ORA, including a statement on the effectiveness of the risk-management system.** The conclusions should be forward-looking and include lessons learned collected during the exercise.

Possible elements to be included in this conclusion, including a conclusion on the need for updating/modifying:

- adequacy of the parameters used for calculating the technical provisions and/or the risk assessment
- adequacy of the actuarial methods used to determine the technical provisions
- adequacy of the methods used to assess the short term risks/funding needs
- adequacy of the methods used to assess the long term risks/funding needs

Action plan following the ORA

As a result of this ORA the IORP will modify ... (policies e.g. SIPP, documents e.g. recovery plan, methods, parameters, procedures e.g. internal control system that will be modified and foreseen timing). When will the ORA need to be reviewed? Increased frequency of monitoring for specific risks?

Description of how the IORP has taken into account the results of this ORA in its strategic decisions, including the body that took the decision, date and outcome of the decisions.