

Meeting:	Pension Board
Date:	23/04/2024
Title:	THE PENSIONS REGULATOR'S (TPR) GENERAL CODE OF PRACTICE
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Purpose:	For information only

1. Introduction

The Pensions Regulator's (TPR) general code of practice came into force on 28 March 2024. The code contains new governance requirements and sets out TPR's expectations of how occupational pension schemes should be managed and the policies, practices and procedures that should be in place. All schemes should undertake a gap analysis to assess what actions need to be taken to ensure compliance with the single code.

2. Key details

- The General Code of Practice (the "Code") consolidates and modernises 10 previous Codes into a single Code and sets out governance standards for pension schemes.
- The Code applies to governing bodies of occupational schemes (Defined Benefit and Defined Contribution), personal pension schemes and public service pension schemes.
- For Public Service Pension Schemes specifically, the Code replaces Code of Practice 14 (Governance and Administration of Public Service Pension Schemes).
- The Code is accessible online, and the paper version runs to 171 pages comprising of 51 modules (and not all modules apply to all schemes).
- There are five sections within the Code:
 - The governing body,
 - Funding and Investment,
 - Administration,
 - Communications
 - Disclosure and Reporting to TPR.

3. What is new for public service pension schemes?

3.1 Governing body

The Code provides increased clarity on the definition of the governing body for Public Service Pension Schemes, including the LGPS. This is confirmed to be the scheme manager. It outlines that each Public Service Pension Scheme will need to determine who fulfils the role of scheme manager according to their regulations and local arrangements. The Code recognises that the governance of Public Service Pension Schemes needs to consider the

differing responsibilities of the scheme manager, pension board and where appropriate, pensions committee.

3.2 Good practice

In the new General Code, there are a number of areas of good practice which sit alongside core modules (highlighted by an * in the list below). Whilst compliance with the good practice modules is not a legal requirement, it is suggested that all administering authorities and Public Service Pension Schemes consider all areas of the new Code.

3.3 New modules

There are a number of new modules in the Code when compared with Code of Practice 14.

These are:

Governing body section

- Meetings and decision-making
- Remuneration and fee policy*
- Managing advisers and service providers*
- Scheme continuity planning*
- Risk assessment*

Funding and Investment section

- Investment governance*
- Investment monitoring*
- Climate change*

Administration

- Planning and maintaining administration
- Financial transactions
- Transfers out
- Record-keeping
- Data monitoring and Improvement
- Maintenance of IT systems
- Cyber controls*

Communications and disclosure

- General principles for member communications
- Scams

3.4 Governance

TPR states that the governing body should spend an appropriate amount of time running its scheme and should meet at least quarterly. The Code outlines the items that must be included in written meeting records. Public Service Pension Schemes will need to consider the requirements of the appointment and role of the chair module, as well as relevant aspects of the new good practice remuneration and fee policy module.

3.5 Managing advisers and service providers

TPR expects schemes to operate an effective system of governance and this module outlines the expected controls for the selection, appointment and management of advisers and service providers. It confirms that where the governing body appoints advisers and service providers, it retains ultimate accountability and should be able to demonstrate its management of commercial relationships.

3.6 Administration

TPR have introduced a number of new administration modules, in particular in relation to planning and maintaining administration, information handling and maintenance of IT systems.

3.7 Risk management

There are areas of good practice here in respect of scheme continuity planning. TPR states that scheme managers of public service pension schemes do not have specific obligations set out in pensions legislation but considers it good practice to carry out continuity planning. Also the new area of Own Risk Assessment is listed as an area of good practice for Public Service Pension Schemes. Own Risk Assessments will identify the key governance risks facing the scheme and TPR states that the governing body should incorporate the findings into its management and decision-making processes.

3.8 Systems of Governance

The requirement for effective systems of governance and internal controls applies to all schemes, although the standards of governance required by law depends on the type of scheme. The Code introduces greater emphasis on documented policies and procedures to demonstrate that the governing body is managing the scheme in line with the requirements. Scheme managers of Public Service Pension Schemes are required to establish and operate appropriate internal controls in line with requirements in law.

3.9 Cyber Controls

Cyber and managing cyber risk for pension schemes is a continually evolving area. As expected, the Code outlines that Governing bodies should take steps to reduce the risk of incidents occurring, and appropriately manage any incidents that arise. This is listed as a good practice module however it does also clearly set out the legal requirements for all Public Service Pension Schemes relating to internal controls.

3.10 Investment

The Code contains some good practice modules on investments for Public Service Pension Funds, including investment governance, investment monitoring and climate change. TPR states the scheme managers of Local Government Pension Schemes do not have the same obligations in pensions legislation, but it is good practice for them to approach investment governance and investment monitoring in the same way.

4. Next steps

Work has commenced to interpret the Code carefully and assessing compliance. It will be key to formulate an action plan to address the changes needed, including identifying any new polices or procedures or changes to existing policies that may be required.

To help with this work Hymans Robertson have developed a new compliance model to help LGPS funds to assess compliance against the new General Code. This will produce automated information for ongoing reporting to Pensions Committees and Local Pensions Boards and will support funds in developing an action plan against areas that need further attention.

This work will take considerable resources and time. Progress will be reported in future Board meetings.