The Pension Regulator's General Code of Practice

January 2024

Introduction

The Pensions Regulator (**Regulator**) has published its long-awaited General Code of Practice (**Code**). The initial consultation started in March 2021 and the project sees ten of the Regulator's existing codes of practice brought together into a single code to set out its expectations regarding scheme governance and administration.

The Code was laid before Parliament on 10 January and the Regulator has announced that it expects it to come into force on **27 March 2024.**

Changes to the Code?

As expected, the final Code does not contain significant changes to the draft. There is a greater emphasis throughout the Code that a scheme's approach to compliance should be proportionate to the scheme's size and complexity. There have also been some more specific changes to the Own Risk Assessment (**ORA**) and the renumeration policy, in particular, which were modules that attracted a lot of comment at the consultation phase.

ORA

The ORA will require trustees to review their Effective System of Governance and assess how well it is working and the way that potential risks are managed. Under the original draft, the requirement was for this to be carried out annually. However, trustees will welcome the change in the final Code which now requires this to be carried out triennially. The Regulator also expressly acknowledges that trustees will already be undertaking certain aspects that would make up an ORA and they will not be expected to duplicate this work. The ORA can, therefore, comprise of a collation or index of other relevant documents recording the assessments already undertaken by trustee boards. Assurance reporting supplied by service providers can also be incorporated into the ORA.

The original draft also required the ORA to be made available to members on request. The final draft now just requires trustees to consider what information to provide members regarding the findings of the ORA.

The remuneration policy

There was some expectation that the remuneration policy module would be significantly changed. Whilst the module still remains, it does appear to have been softened. The requirement for the remuneration policy to set out the 'level' of remuneration in the draft has been replaced by a more principle-based approach in the Code. The Code now requires the policy to instead explain the 'principles' for determining pay and the decision-making process for payment levels.

There is also no longer a requirement for the policy to be published on a scheme website or otherwise be made available to the scheme members.

The original requirement was for the policy to cover remuneration paid for by the trustee and/or the sponsor; the final draft no longer references remuneration paid for by the sponsor.

Comment

The extended delay to the Code has meant that Code compliance may have fallen to the bottom of some trustee to-do lists. With just over two months from the Code's expected 'in force' date, trustees should dust off their gap analyses and finalise their compliance projects. Whilst there have been some tweaks to a number of modules in the final Code, these are not wholesale changes which will require a significant re-working of any compliance steps taken to date. Well run schemes should already be largely compliant with the principles of the Code but should use these next few weeks to address any gaps they do have and put in place the required documentation to demonstrate their compliance. At Stephenson Harwood, we have a specialist Code compliance team who would be happy to assist you.

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