# Cracking the Code

IFoA

Jenny Gibbons, Michelle Hirons-Wood

29 February 2024

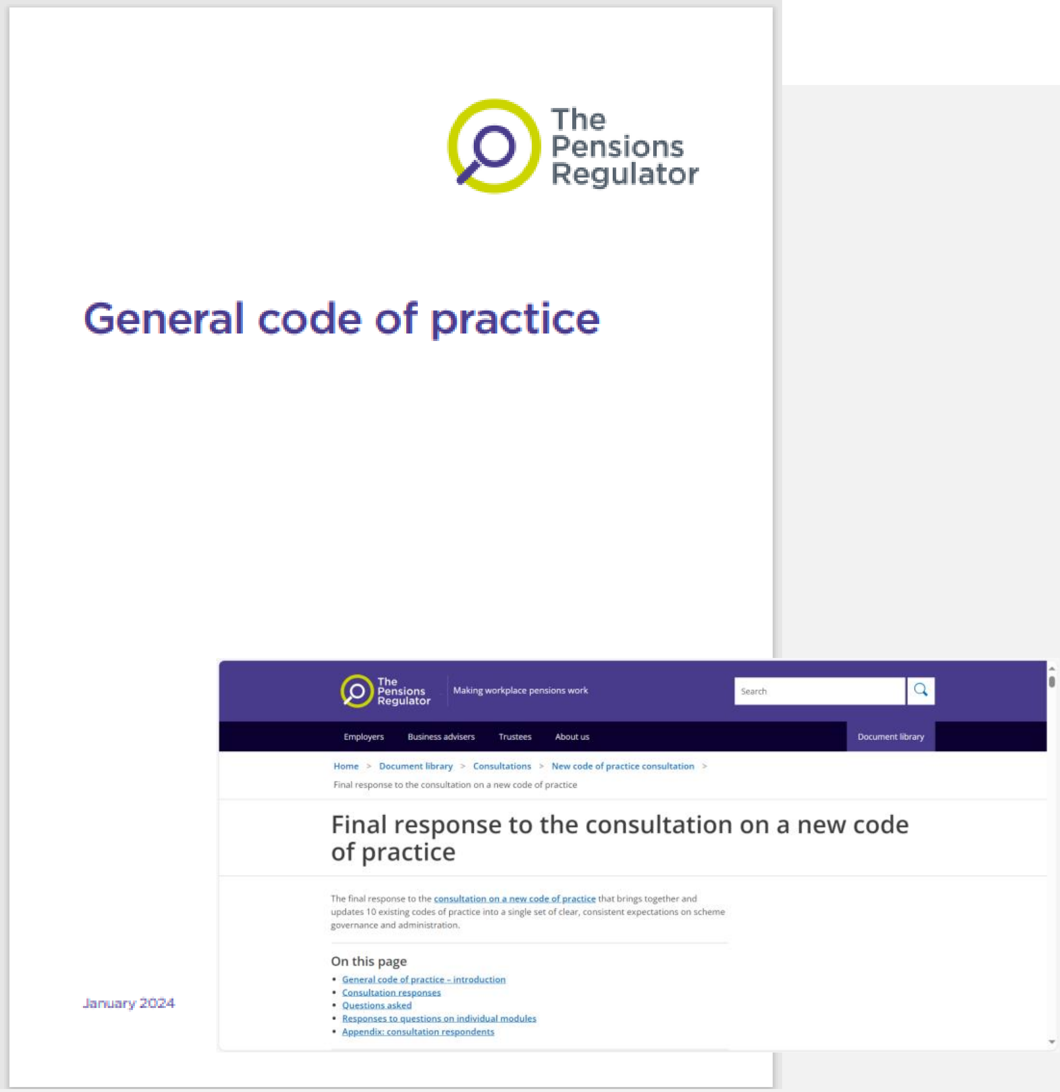
# The long-awaited Code…

## Key dates

- The General Code was published on **10 January 2024**.
- It is expected to come into force from **27 March 2024**.
- Louise Davey states that schemes that have not yet carried out a gap assessment "**risk falling short** of the expectations" and, at the very least, schemes "should be **aware of where they fall short** of our expectations and have clear and realistic **plans** in place to address those shortcomings."

## Updates

- There were **few material changes** to the ESOG expectations in the final Code though a pushing out of timescales on **Own Risk Assessments**.
- Other changes included some new ORA content, flexibility on who can perform the role of the Risk Management Function and Internal Audit, and additional clarity on remuneration policies, unregulated investments, EDI and trusteeship.



# Reminder: what is an effective system of governance?

## All DB and DC schemes (regardless of size)

- Sound and prudent management of scheme activities
- Transparent organisational structure
- Internal controls system
- Investment governance / consideration of ESG factors
- Principles for member communication
- Administration and management procedures
- Regular internal reviews

***"A system of governance will include anything that can reasonably be considered part of the operation of a pension scheme."***

# What has changed since the draft version?

## Summary

There are few material changes to TPR’s expectations:

- **Own Risk Assessments (ORAs):** some new content and changes to the timescales for documenting the first and subsequent ORAs.
- **Risk Management Function (RMF):** removal of prescription on who can perform the role of the RMF
- **Internal Auditor**: apparent removal of requirement to appoint an Internal Auditor (subject to legal advice)
- **Remuneration policy:** clarification that this should be principle-based (and need not set out levels of remuneration paid or be published) and covers only costs met by the scheme.
- **Professional trustees:** stronger expectations for professional trustees to comply with TPR’s standards, codes of conduct and be accredited (or for those who are not already accredited/qualified to demonstrate their progress).
- **Equality, Diversity and Inclusion (EDI):** new high-level EDI expectations to support its practical guidance published in March 2023.
- **Unregulated investments:** removing the proposed 20% limit on unregulated investments, thereby addressing concerns about the impact on illiquid investments.

# Q&A with Michelle Hirons-Wood