

# Scheme Advisory Board

**HYBRID MEETING – 11 March 2024**

## **ITEM 9 – PAPER D**

### **The Pensions Regulator's General Code of Practice**

#### **Background**

1. The Scheme Advisory Board has welcomed the publication of The Pensions Regulator's (TPR) [General Code of Practice](#) ('the Code') which has been laid in Parliament and which is expected to come into force on 27th March 2024.
2. The Code brings together 10 previous TPR Codes into one single Code, mainly covering governance and administration of pension schemes. The previous Codes will be revoked, including Code of Practice 14 for Public Sector Pension Schemes.
3. TPR's 2023 survey on [governance and administration](#) shows that LGPS funds generally already have high standards of governance in place, however the new Code provides an opportunity for funds to review current practices alongside the Code.

#### **Current position**

4. The published Code is similar to the draft that was consulted on in 2021, with most of the changes around the clarity of language and ordering of sections. The Board's main recommendation back to TPR in the consultation was that clarity was required on which parts of the Code specifically applied to LGPS funds and which should be considered best practice. There has been some improvement in the final Code, but there still isn't a simple map or template in the Code document which sets out the requirements specifically for the LGPS or Public Sector schemes generally.
5. We expect that funds will now be reviewing the Code and undertaking compliance and gap-analysis exercises, either using a third-party adviser or as an internal project. Undertaking the necessary work to review the 171-page document to identify and record areas of compliance presents significant challenges in what is an already busy time for funds.
6. The Secretariat believe that consistency in how funds interpret the Code is desirable and will lead to greater compliance for the LGPS. It is noted that the Board is committed to assisting funds in understanding and meeting any new requirements in the Code and, where needed, can produce new or update existing guidance to assist funds with their responsibilities.
7. To inform what is needed to assist funds, a focus group was held with officers on Thursday 8<sup>th</sup> February 2024. The aim was to gather initial feedback on the Code from fund officers and to understand what support and interpretation would be helpful from the Board. This was

# Scheme Advisory Board

also helpful in considering the overlap with other ongoing Board workstreams, e.g. the Good Governance project.

8. Thirteen funds were represented at the 2-hour focus group and significant feedback was received on the varying ways funds are approaching Code compliance and the individual priorities for each fund. It was acknowledged that different funds are at varying starting positions in the work required to demonstrate Code compliance, however it was generally agreed that identifying how the Code specifically applied to the LGPS was the first challenge.
9. In some areas of the Code, the requirements are clear and unambiguous, however, some modules are new compared to the previous Code and may only apply as 'best practice'. There are also some modules which, although they do not apply directly to the LGPS, are closely related to other modules that could overlap with funds' internal controls and functions. Consideration of these will still be needed as the Code states that *'Where an expectation does not apply to a scheme because the law doesn't apply, the governing body may wish to consider whether the principles should be adopted as good practice'*.
10. The focus group also agreed that there was an opportunity to clarify some of these ambiguities with already planned guidance (from the Board or Department of Levelling Up, Housing and Communities (DLUHC)), for example the planned update of the Governance Compliance Statement guidance. It was also acknowledged that the Code is largely consistent with the Board's Good Governance recommendations and the Code's publication should provide further impetus for DLUHC to deliver on those recommendations.

## Next Steps

11. New guidance to implement the Good Governance recommendations will provide the first opportunity to fill in some gaps on Code requirements for the LGPS. DLUHC are aiming to consult on this guidance in Summer 2024. The Secretariat team, along with the Compliance and Reporting Committee Governance and Administration Workstream, will suggest to DLUHC officials the appropriate areas within the Code which could be clarified or covered in more detail in future governance and administration guidance.
12. This may also be the appropriate time to review the Board's 2015 Local Pension Board guidance. The relevance of the Code to the Board workstreams on Knowledge and Skills and responding to any new requirements on climate risk reporting that overlap with the Code, will also be considered as appropriate. To further inform this work, the Board's LGPS Live webinar on 6<sup>th</sup> March 2024 at 3.30pm is covering the Code. A verbal update on this event can be provided at the Board meeting.

\*\*\*\*\*