



TPRs Single Code of Practice – Getting ready

In March 2021, the Pensions Regulator (TPR) published a 10 week consultation on the long awaited “Single Code of Practice” (the Code). The Code is a consolidation of 10 of the 15 existing Codes of Practice and incorporates changes introduced by the 2018 governance regulations. The remaining 5 codes are due to be reviewed at a later date.

What do trustees need to know?

- The consultation on the Code closed on 26 May 2021 and an interim response was issued by TPR in August 2021.
- Following the consultation, TPR has stated that the new Code will come into force “not before summer 2022” which is a delay compared to initial timescales.
- The initial expectation of the Code was that it was largely a consolidation of existing guidance and codes of practice into an online format. However, the draft Code does introduce new requirements for governing bodies (trustees).

Getting ready for the Code

The delay in the Code coming into force gives trustees more time to prepare. There are a number of key actions trustees can take between now and Summer 2022 to ensure they are ready when the Code comes into force.

- ▶ **Training** – Ensure that all trustees understand the requirements of the Code and what it means for their scheme. This will enable any work required to be planned and built in to scheme business plans for 2022.
- ▶ Use **Aon’s three stage approach** to ensure compliance with the Code:
 1. **Identify existing policies and processes** in place on your scheme and document when these were last reviewed. This will help you understand any gaps in policies or processes, against TPR expectations and will form part of your Effective System of Governance (ESOG).
 2. **Assess your compliance with the Code** – review your existing system of governance against the specific requirements of the Code. This can be broken down by sections of the Code to make it a more manageable task.
 3. **Make a plan for ensuring compliance with the Code** – including filling gaps in policies and processes, making a plan to review all policies and processes in line with requirements (at least every three years for most) and updating these where appropriate to ensure compliance with the Code.
- ▶ **Risk review framework** - Review your current risk framework and consider whether it meets the standards of the Code and who will be part of the trustee’s Risk Management Function. This will form the basis from which you will carry out your Own Risk Assessment (ORA).

Following the consultation, further information on the requirements for the ORA is expected to be provided by TPR. This is expected to include further explanation of what an ORA will include, how proportionality can be applied for smaller schemes and timings and frequency of ORAs.

Aon have prepared a list of policies and procedures that TPR expects under the Code which can be used as a checklist against your existing policies or procedures.

Aon can assist you in assessing compliance against the draft Code so that you are clear on the actions that are required to meet any gaps in compliance. Aon can provide access to a wide range of template policies that will help trustees in their journey to compliance.

Please speak to your usual Aon contact or one of the team if you would like to know more.

Reminder of the highlights of the draft Code

One of the principal aims of the Code is for all schemes to be held to comparable standards when allowing for differences in legislation. The new Code will apply to defined benefit (DB) and defined contribution (DC), across both the private and public sectors.

The “governing body”

The Code introduces the term “governing body” referring to those responsible for running a scheme. The governing body may be trustees or managers of occupational pension schemes, or, in public service pension schemes, the scheme manager and the pension board.

“Effective System of Governance”

The Code introduces the requirement for schemes to establish an “Effective System of Governance” (ESOG). This should include processes and procedures and anything that can reasonably be considered part of the operation of a pension scheme.

The Code states that the governing body should maintain policies for the review of each element of the ESOG. Policies should be reviewed at least every three years, to assess whether the policy is functioning as intended and whether changes are required.

“Own Risk Assessment”

The Code also introduces the requirement for schemes to document an “own risk assessment” (ORA) of their system of governance.

The ORA is an assessment of how well governance systems are working, and the way potential risks are managed.

Schemes must prepare and document their first ORA within one year of the code coming into force and should be reviewed annually thereafter. The ORA will need to be signed off by the Chair of the governing body.

Remuneration policy

The Code introduces the requirement for governing bodies to establish a remuneration policy and keep a written record of it. The policy should include an explanation of the decision-making process for the levels of remuneration, and why they are considered to be appropriate.

The governing body should consider any outsourced service provider. These include, but are not limited to, administration, actuarial, legal advisory, and investment services.

ESG & Climate Change

The Code states that schemes should consider Environmental, Social and Governance (ESG) matters in their investment decision making process and risks should be captured in the risk management framework.

Governing bodies should talk to their investment adviser and asset managers about how short and long-term climate change risks and opportunities are built into their recommendations and understand what measures are being taken to reflect climate change risk within investment portfolios.

Information Technology

The Code includes new material on IT in relation to maintenance of IT systems and cyber controls.

Governing bodies should take steps to ensure that their service providers are able to demonstrate they meet TPRs expectations for maintaining IT systems.

The Code also sets out TPRs expectations on governing bodies to assess and manage cyber risks, including responsibility on governing bodies to review the internal controls of service providers.

Scams

The Code include a new module on Scams. Governing bodies should be aware of the warning signs of a pension scam and should ensure that as part of their internal controls they take appropriate steps to mitigate the risk of scams.

Governing bodies should take steps to ensure that members are aware of the risk of scams by including clear information on how to spot a scam in all relevant communications to members and scams warning messages on member websites.

Contact Us

Susan Hoare
Partner
+44 (0)117 900 4441
susan.hoare@aon.com

Michelle Burgess
Senior Consultant
+44 (0)125 276 7096
michelle.burgess@aon.com

Sarah Butlin
Associate Partner
+44 (0)117 945 3536
sarah.butlin@aon.com

Mark Price
Senior Consultant
+44 (0)125 276 8075
mark.price@aon.com



About Aon

Aon plc (NYSE:AON) is a leading global professional services firm providing a broad range of risk, retirement and health solutions. Our 50,000 colleagues in 120 countries empower results for clients by using proprietary data and analytics to deliver insights that reduce volatility and improve performance.

Aon Solutions UK Limited Registered in England & Wales No. 4396810

Registered office: The Aon Centre | The Leadenhall Building | 122 Leadenhall Street | London | EC3V 4AN

Copyright © 2022 Aon Solutions UK Limited. All rights reserved.

Aon Solutions UK Limited is authorised and regulated by the Financial Conduct Authority.

Nothing in this document should be treated as an authoritative statement of the law on any particular aspect or in any specific case. It should not be taken as financial advice and action should not be taken as a result of this document alone. Consultants will be pleased to answer questions on its contents but cannot give individual financial advice. Individuals are recommended to seek independent financial advice in respect of their own personal circumstances.

