The General Code Is Finally Here

Ready, Set, Bake!

The Pensions Regulator (TPR) has raised the temperature on pension scheme governance by bringing the General Code of Practice (Code) into force on 28 March 2024. The draft code has featured on trustee agendas since TPR's initial consultation in 2021, but each scheme will be at a different stage in its compliance process. For some, their cake will be rising in the oven, but others may still be whisking their ingredients. Whatever stage you are at, our Pensions team would be happy to be your sous chef throughout the process.

We have 10 tips for trustees who are weighing up what the final form of the Code means for them:

Preheat your oven – TPR has stressed that well-run schemes should already have an Effective System of Governance (ESOG); it is not intended to create an additional burden for schemes. However, all schemes will need to take some action to ensure compliance with the Code.

Practice makes perfect – The purpose of the Code is to improve governance and trustees should see the Code as a positive change. As TPR notes, "Our new general code is an opportunity for governing bodies to make sure that their schemes meet the standards of governance we expect, and savers deserve."

Double check your ingredients – Many schemes carried out an initial gap analysis back in 2021, when the Code (then the Single Code) was subject to consultation. It is time to dig out any previous analysis, identify remaining gaps and formulate a plan to ensure your ESOG is in place before your first Own Risk Assessment (ORA) is required. Has anything changed since your initial analysis?

Don't just improvise – follow your recipe – Those schemes that are already well along with their compliance journey should think about revisiting any policies that were prepared based on the previous draft Code. The fundamental principles of the Code have not changed, but some points of detail have been amended (mainly where TPR has taken on board feedback received during consultation). Some updates will be required, but we expect many of these to be relatively minor.

Donut panic – Do not worry if your scheme is behind schedule. You may be in a better place than you think. Step one is to dust off your current policies and procedures, then carry out a gap analysis against the Code and take it from there.

Is this kneaded? – Not always. Proportionality is key when considering the Code. For example, if you are in the process of a buyout, it may be sufficient for your scheme to take a light-touch approach in relation to some elements of the Code.

Should I bake, broil or baste? – Bear in mind that there are different requirements for certain schemes (for example, defined contribution and public sector schemes). Seek advice if you are unsure of the requirements for your particular scheme.

Keep calm – there is extra proofing time – TPR has relaxed the timescales for completing the first ORA; it is no longer necessary for schemes to complete this within one year of the Code coming into force. Schemes, therefore, have plenty of time to ensure compliance, but should determine the date that the first ORA is due (based on the scheme year end date) and build this into their business plans to ensure that it is not left until the last minute.

Do too many cooks spoil the broth? – Not at all. Compliance with the Code will be a team effort. Trustees will need the support of all their advisers to tackle all elements of the Code; actuaries, administrators, investment advisers and lawyers will all need to be involved.

Bake it happen – Compliance with the Code will need to be built into trustee routines going forward. This is not a "one and done" compliance exercise – it will need to become part of your business-as-usual scheme activities.

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