

The Pension Regulator's (TPR) Single Code of Governance consultation.

10 things every trustee should know

1. Although at the consultation stage, we expect the **Single Code to be implemented** given the resource that has been dedicated to it.
2. This is to be a single code of governance for **all sizes and types of scheme** – save where express exclusions apply.
3. A new **broader concept of a 'Governing Body'** is to be used – extending beyond trustees.
4. The Single Code is **web-based**, designed to minimise duplication, to be **readily navigable and easier to update** to reflect changes.
5. Phase 1 sees **10 of TPR's 15 codes of practice reduced into 51 modules**. Phase 2 is to follow later this year, covering Defined Benefit (DB) funding, notifiable events and the Pensions Schemes Act 2021, modification of subsisting rights, master trusts and material detriment.
6. Some **new areas will require all trustee boards to undertake work to ensure compliance**. However, well governed boards that undertake AAF processes should be able to adapt many existing processes. In any event, the Regulator expects schemes to act proportionately.
7. **Action:** Trustees will need to **assess their knowledge and understanding** of a wide range of issues, with 4 pages of topics listed.
8. **Action:** Schemes must adopt **a policy to reflect the remuneration** of all those involved either in running the scheme or in activities that impact the scheme risk profile. The policy should be reviewed every 3 years and published on the scheme website.
9. **Action: Schemes with more than 100 members will need to undertake an Own Risk Assessment (ORA) on an annual basis.** They must assess risk by reference to 51 modules and assess the effectiveness of their policies. Areas covered include organisational structures, effective systems, investment, communications, and disclosure. The ORA format and ways of assessing compliance are not yet prescribed. The ORA does not need to be submitted to TPR, but will need to be produced upon request.
10. **Action:** There are **2 new areas of stewardship and climate change**. Stewardship will require formal consideration and documentation of the long-term impacts of investments decision-making upon member outcomes and a dialogue with investment managers. Climate change will require governing bodies to talk to investment managers and advisers about its impact on the scheme and its investment management strategy, and to understand its risks for the scheme's short, medium and long term objectives. Schemes must take into account ESG in investment decisions and assess how ESG issues might affect the risk adjusted return of the scheme and their potential impact on members.

We will be replying to the consultation before the deadline (26 May). Watch out for our progress updates.

We would be happy to reflect your comments and welcome the views of trustees whose schemes do not currently have a professional trustee.

Based on feedback to date, we expect responses across the sector to address the following:

- **The timeline for implementation;**
- **Whether implementation will be phased,** to allow larger schemes to take the lead and standard-set, with smaller schemes to follow;
- **Further detail around proportionality and the leeway to be afforded to schemes:** whether guidance can be given, for example by reference to risk-based parameters such as funding levels or size of scheme assets or membership;
- **The proposed frequency of the ORA** and whether it should instead be prepared every 2 or 3 years or in line with the triennial DB valuation process; and
- **The potential impact on succession planning and lay trustees.** This reflects the concern that prospective MNT or employer representative candidates may not come forward, given the time involved, unremunerated nature of the role, potential liability and trustee knowledge and understanding requirements.

Find out more.

To discuss this further or share your views, please contact:



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