

The General Code of Practice – any progress?

➤ **Stuart Henderson explores trustees' readiness to prepare their first ORAs, in advance of their participation in Crowe's 2025 governance and risk management survey**

Back in 2021, The Pensions Regulator (TPR) merged 10 of the existing codes of practice into a single new code of practice (the code). The consultation on the single code ran from 17 March 2021 to 26 May 2021.

The key areas covered by the code are the governing body, funding and investment, administration, communications and disclosure and reporting to TPR and an increase in guidance over cyber security, ESG and expectations on financial transactions.

- Following the issue of the draft code we surveyed over 100 respondents

looking at the main requirements, the survey revealed that:

- 78% of respondents already had a formal assessment of governance in place which is performed every three years, and 70% of these schemes believed that they already cover the required elements of the assessment as set out in the draft code.

The following documents and functions formed part of the evidence to support an Effective System of Governance (ESOG) [see figure 1]:

- 48% of respondents stated that they do not have a remuneration policy for trustees, and this increases to 67% of

respondents for small schemes.

- 25% of respondents did not have a plan in place to respond to a cybercrime breach.

- 43% of respondents have not tested the strength of their scheme's IT systems, processes and procedures for cybercrime protection.

- IT/Cyber risk was in the top two ranked risk for DB and DC pension schemes.

Present day

On 27 March 2024, the code finally came into force, with the main changes from the draft code being:

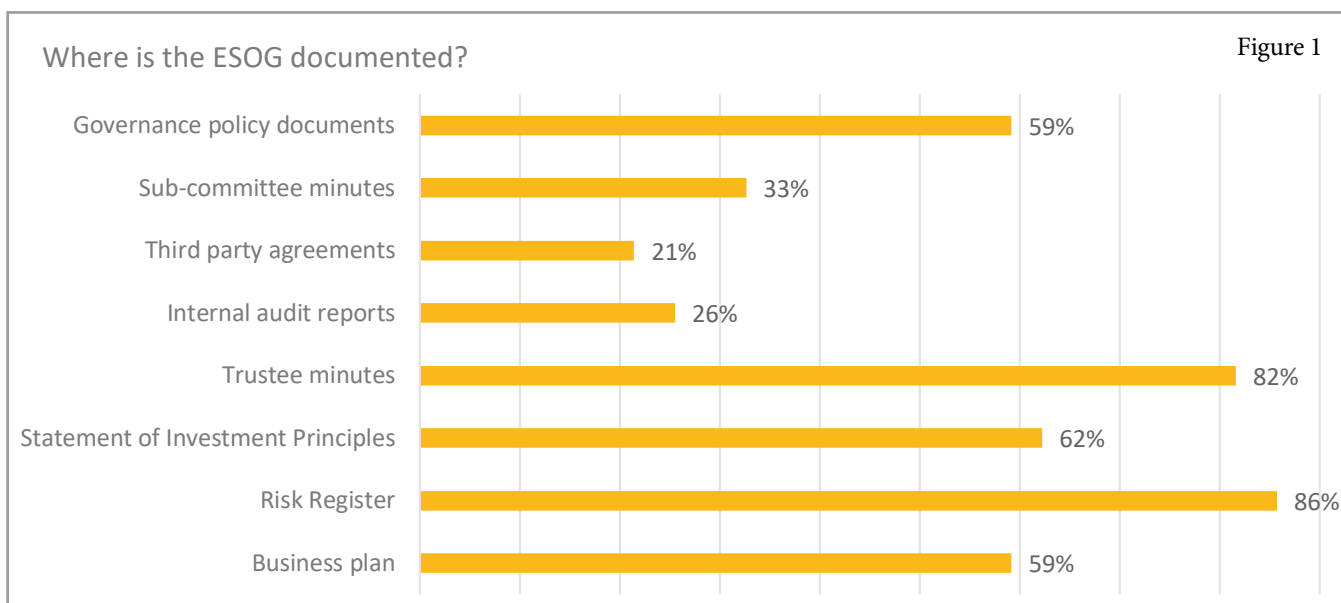
- a clearer linkage between the ESOG and the Own Risk Assessment (ORA).

- Remuneration policies need only cover costs for which the governing body is responsible and there is no requirement to make them available to members.

- TPR has added introductory paragraphs at the beginning of some of the modules explaining the type of schemes to which they apply.

The detail of what constitutes an





ESOG will be dependent on the size and complexity of the scheme however internal controls are a key feature of any system of governance.

There are various assurance frameworks suitable for use in relation to pension scheme operations. Governing bodies should understand the limits of each type of assurance, and the limits to the scope of any assurance process and how each can play a part in reviewing the internal controls framework of a scheme. This may include obtaining independent or third-party assurance about controls.

Governing bodies of schemes should also carry out and document an ORA of their ESOG. The ORA is an assessment of how well the ESOG is working, and

the way potential risks are managed. The ORA documentation should cover how the governing body has assessed the effectiveness of each of the policies and procedures covered by the ORA, and whether the governing body considers the operation of the policies and procedures to be effective and why. This should at least cover policies for the governing body, risk management policies, investments, administration and payment of benefits. It is not necessary for all of the ORA elements to be assessed at the same time, but the ORA should be completed at least every three years.

The scheme's first ORA should normally be prepared and documented within 12 months beginning with the last day of the first scheme year that begins

after the regulator has issued the Code. So, a scheme with a 31 March year-end will need to prepare and document its first ORA by 31 March 2026.

Progress

Now that there is clear timeline in place, trustees should be planning the steps that need to be completed to prepare their first ORA. If not completed already, the first step is to prepare a gap analysis between the scheme's existing governance framework and the requirements under the code. Trustees will need to consider how to address the gaps identified proportionally given the size and nature of the scheme.

Our 2025 governance and risk management survey will take a temperature check of the progress looking at how UK pension schemes are applying the requirements of the code and assessing any gaps identified with regards to cybercrime resilience.

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