

# Compliance and Reporting Committee (CRC)

**HYBRID MEETING – 24 June 2024**

## **ITEM 5 PAPER C**

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

#### **Background:**

1. Since the draft Code was released in January 2024, the Secretariat has been analysing the Code and gathering feedback on the requirements and challenges the Code presents for the LGPS. The Secretariat held a focus group for fund officers in February 2024, have separately met with the main governance advisers and hosted a LGPS Live webinar, all of which provided opportunities to discuss the Code and understand what support and interpretation is needed to assist funds with their own Code compliance. A further goal has been to achieve a degree of consistency between funds in how the Code is understood and implemented.
2. The Secretariat has previously identified to the CRC and the Board that there are clear overlaps in some Code modules and with DLUHC's intended implementation of the Board's Good Governance recommendations (as well as other CRC workstreams).
3. The Committee has previously agreed the expected new governance guidance to implement the Good Governance recommendations provides an opportunity to fill in gaps in some module requirements within the Code for the LGPS. Therefore, any new and best practice requirements in the Code (where possible) are being woven into existing workplan items.

#### **Current position:**

4. The Secretariat is aware that funds have started to plan and report to their governance bodies on how they intend to review their own compliance against the Code. And some funds have completed their compliance review. All funds will have different starting positions and therefore will need differing action plans to be able to demonstrate compliance. Having an action plan which sets out how a fund is planning to address Code compliance has been strongly encouraged by TPR. If not already planned, Code compliance should be an agenda item for upcoming Pension Committee and Local Pension Board meetings.
5. It had been hoped that DLUHC's response to the Good Governance recommendations would help resolve some of the ambiguity in some Code modules (not all) by putting in place statutory guidance that

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achieved similar aims to parts of the new Code. For example, there is overlap in the Good Governance recommendations with the requirements in the following TPR Code modules: The Governing Body, Funding and Investment, Administration, Communications and Disclosure and Reporting to The Pensions Regulator. However, the continued delays at DLUHC in issuing its proposals on Good Governance and the subsequent calling of the General Election on 4<sup>th</sup> July 2024 has meant it is unlikely that we will have clarity for some months (possibly towards the end of this calendar year).

6. However, waiting for the Good Governance consultation shouldn't delay funds planning and reviewing their own compliance with the Code as the module areas within the Code are much broader than what was proposed in the Good Governance recommendations.
7. The Secretariat have met with The Pension Regulator (TPR) to discuss the Code. It was raised that there are ambiguities in some modules whether it directly applies to public sector schemes or not. The Code isn't intended to set out the public sector requirements specifically and the intention instead is that all pension schemes should ask themselves whether they are meeting the Code, and where they may be able to improve their compliance even in areas where this is not a legal requirement but is best practice.
8. The Secretariat also spoke to TPR about the public sector toolkit and a revised public sector specific version of the Code. TPR have confirmed that the toolkit is being revised but wouldn't commit to the public sector toolkit remaining a standalone product for the public sector, instead indicating that it may be incorporated into a new series of thematic toolkits. TPR felt that a public sector specific Code or guide to the new Code was not consistent with their desire to combine all the Codes into one. TPR have also confirmed that it does not intend to issue a governance and administration survey this year (2024).

## Next steps:

9. As many funds are still considering and planning how to review and demonstrate compliance with the Code, more time is needed to understand the impact on the LGPS. Therefore, the Secretariat propose the following next steps:
  - Plan a follow-up LGPS Live webinar and meeting with the original focus group
  - Issue a survey to gauge how funds are doing on Code compliance

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- Commence a review of the Board's 2015 Local Pension Board guidance on areas impacted by the Code
10. Continuing with identifying in the below Board workstreams where clarity on specific areas within the Code can be provided, specifically:
- Knowledge and Skills workstream
  - Climate risk reporting
  - Good Governance.

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