



2024: The General Code in focus

What's next? Now the General Code is here...

The Pensions Regulator's (TPR) final General code of practice (the Code) is now published and comes into force from 27 March 2024. In this article we look at next steps now the Code is here and the approach you might take to comply.

We also capture the “need to knows” from the Code separately.

In its consultation response, TPR helpfully clarified points relating to the Effective System of Governance (ESOG), risk management function and Own Risk Assessment (ORA). It says: “We consider that the ESOG is predominately a rebadging of things that the governing bodies of well-run schemes should be doing already”. This will come as a relief to many trustees.

However, it expects schemes that don't currently meet the governance requirements to fill any gaps. They want governing bodies to have a dialogue about how they are meeting expectations, if things are operating as intended, where improvements can be made.

It also says that the risk management function is vital and an integral part of scheme governance. The focus being on what this function does, with schemes having licence to design a function that suits their scheme, the way they run it and available resources.

TPR believes “the focus of governance activities should be on maintaining an effective system of governance”, with the ORA reviewing the ESOG, ideally as an ongoing process as part of regular governance oversight. Having an ESOG and oversight of it as just part of what trustees do is the aim.

We expect many schemes will be doing much of what is in the Code and will now take the opportunity to review what they do and how they do it, document it and store it so that it's easily accessible and can be referenced. This of course will depend on their circumstances and what is helpful, e.g. if they are rapidly approaching buy-out or just fully bought in.

What actions should you now take?

- Complete your Code education – have training on the Code's final requirements.***
- Determine what you want to achieve from your Code work so you get the most value from it.***
- Assess what you have in place against the Code requirements and fill any gaps, or where you've already done work, check that nothing has been missed based on the final Code:***
 - Review your documents – have you got the policies you need, but, more importantly, are the underlying processes in line with your policy expectations and are they right for your circumstances and efficient?***
 - Do an ESOG gap analysis – are you running your scheme in line with TPR's expectations?***
- Plan your ORA work - consider your resources, what you have on your plate over the next couple of years and how you will map out the work you'll do:***
 - Assess your ESOG - is your governance right for your needs and serving members' interests in the best way possible?***
 - Assess your risks – are you managing risks relevant to your scheme, given its circumstances, and doing that well? How do you know that the controls in place are effective?***

1. Approaching Code work

There isn't a one size fits all approach. We're working with schemes of all sizes and sophistication – what works for a very small scheme proportionately, will look very different to the approach a large, complex scheme takes.

What do you want this work to do for you, other than tick compliance boxes? Being compliance-focused is no bad thing. Thinking about how it can support member outcomes, improve your ways of working, bring efficiencies will, however, lead to gaining value from the work you do. This might be by documenting what's in someone's head to manage key person risk, set objectives for the first time that guide the work you do and help you identify risks specific to the work you're doing, or implement technology to enable you to be more strategic-focused and less in the detail.

Whichever approach you take, it is important that you plan Code work at a manageable pace to fit with your resources, business planning and meeting cycle.

But it's not just about the here and now (as we all know the pensions world never stands still), it's about looking ahead and being forward thinking – how will work we do and decisions we take now impact us in three years' time, how well-equipped are we for the future, what might knock us of course or cause us a problem? This work should help you assess the current state of your governance arrangements and risk management and if they are sustainable and going to support you in the near future.

The starting point for the Muse approach is to think about what your objectives are. This gives clarity to what's important to you and why certain risks should be managed over others. You ideally want to be able to adapt to the situation around you (think 'mini-budget'), or events happening to you (cyber-attack) so that you can maximise opportunities, minimise detrimental consequences or be resilient. You can only do this well if you are prepared. You can only be prepared if you spend time thinking about your governance, strategy and risk management. The Code provides an excellent opportunity for all schemes to do this.

2. Complying with the Code

Given the need to comply with the Code and look through a slightly different lens at existing governance and risk management arrangements over the next couple of years before completing the first ORA, we are working with trustees to:

PLAN

Provide education
Agree roles and responsibilities
Record objectives
Map out work plan

Take a pragmatic view

Review policies and documents against Code requirements
Rebadge / enhance existing policies
Provide template policies and documents

Look through a good governance lens

Review ESOG materials
Gap analysis against code
ESOG dashboard to evidence status
Document system of governance

Muse advice, facilitation, materials, project resource, sounding board - as needed

This work involves gap analysis – checking that i) the policies and documents in place meet those required by the Code and ii) the scheme's governance meets the ESOG requirements. What then follows is the assessment of the effectiveness of the system of governance and risk management. This is where Muse takes an interactive approach.



3. Real life case study

We thought it might be useful to read how some schemes we work with are approaching their Code work.

As TPR's expectation is that schemes should be doing what the Code says already (with the caveat of anything completely new), for many schemes, we have already undertaken the documents review and ESOG gap analysis based on the draft Code.

Below is a case study of one scheme in the early stages of thinking about Code compliance.

Early stage: Planning Code work to fit resources, workload and business cycle

The trustee wants to make sure the initial Code gap analysis and documents and policies review is a manageable project with the right balance of trustee input and oversight. The ESOG assessment and risk management work should then follow iteratively at a pace that suits the trustee. The expectation being that the ORA will flow organically from this work.

Given this work is at the early stages, we are helping the trustee and pensions team:

- plan the project, establishing a working group to oversee progress, identifying roles of the pensions team and others and how the trustee will be involved and kept informed;
- share insights and learnings into what's likely to be involved, issues to think about;
- agree a work plan and timetable, with quarterly milestones for the working group.

As we get deeper into the project, we will:

- provide Muse frameworks and tools to support the gap analysis work and documents and policies review: to identify what is proportionate, what can be rebadged, where to draw on Muse templates and advice;
- support the pensions lead on reporting to the working group on findings and next steps and how actions can feasibly be implemented and when;
- provide an ESOG dashboard, risk management tools and ORA framework, to evidence the work done and have tangible outputs;
- have regular check-in calls with the pensions team, providing a sounding board and sharing Muse knowledge and experience as work progresses; and
- finalise the work with an ORA report and an audit trail of work undertaken to demonstrate the effectiveness of the system of governance and risk management framework.



4.A pragmatic approach for smaller schemes

Much of TPR's focus is on smaller schemes to improve the standard of governance or encourage consolidation. Small schemes won't necessarily have the budget and resources to complete the sort of process that we have with other schemes.

We have been speaking to small schemes, some with less than 100 members that still want to demonstrate good governance. Our approach for these schemes is to:

- help the trustees understand the requirements in the Code and how they can comply pragmatically,
- document as much of their governance as they can, to manage key person risk and loss of scheme knowledge,
- establish consistent processes for oversight of scheme management and operations, and
- implement a means to understand and manage key risks.

We've found workshopping to be the most efficient way to educate, capture ways of working and risks, identify improvements and ensure a shared understanding. The output then become tools for the trustee to use, e.g. a governance manual and risk register.

[You might find our article series on getting ready for the General Code a helpful read as you start or continue preparing to comply with the Code.](#)

Here's what our series covers. Completing the ORA and using the ORA findings will be our final article in the series, which will be published in the next few weeks.



If you'd like to know more, tap into our ORA experience or discuss how you might benefit from an independent approach, please get in touch with your usual Muse contact or email us at governanceservices@museadvisory.com.

We will be holding small group roundtables on the Final Code over the next couple of months. If you would like an invite to one of our roundtables, please get in touch.

Meanwhile, if you'd just like to bounce ideas off us for your own scheme preparation, we'd love to hear from you.

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