



Pensions Authority Code of Practice for Trustees of Occupational Pension Schemes and Trust Retirement Annuity Contracts

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Background

The Pensions Authority ('the Authority') published its Code of Practice ('the Code') for trustees of occupational pension schemes and trust retirement annuity contracts (RACs) in November 2021. The Code sets out the Authority's expectations for the conduct and practice of trustees of funded occupational pension schemes and trust RACs. The expectations outlined within the Code are the minimum that the Authority views as necessary to comply with specific requirements. From a proportionality perspective, the Authority has noted that trustees may consider it appropriate to implement additional measures beyond what is specified in the Code depending on the size, nature, scale and complexity of a scheme.

The Code covers seven main areas:

- 1) General Governance Requirements
- 2) Administration
- 3) Internal Control System
- 4) Investment

- 5) Defined Benefit (DB) Financial Management
- 6) Fit and Proper Requirements
- 7) Additional Requirements for Defined Contribution (DC) Master Trusts

Focus on Key Areas

General Governance Requirements:

Trustees are expected to ensure their scheme has an effective system of governance that provides for its sound and prudent management including having written procedures for scheme management. Trustees are also expected to have a written data policy, a written policy on conflicts of interest, written contracts for outsourcing or use of external service providers, a written remuneration policy and a written policy regarding the ways in which they will engage with members.

Administration: Trustees are expected to ensure the effective administration of their scheme which encompasses managing member records (including

keeping them up to date) and adequate communication with the scheme's members and the Authority. To support the effective administration of their scheme, trustees are required to have a written administration policy and to have a full understanding of the employer's role in the administration of the scheme including the processes used by the employer to provide information to the administrator.

Internal Control System: Trustees are expected to put in place an effective internal control system that provides reasonable assurance that a scheme is compliant, properly administered and managed, and has appropriate reporting systems. This internal control system includes having accounting procedures, an internal control framework and appropriate reporting arrangements. The internal control framework covers items such as:

- **Risk Management** – there must be a risk management policy and a risk



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management function which is to be overseen and executed by a risk management key function holder (KFH). There must also be a documented Own Risk Assessment process to identify and assess material risks that threaten the achievement of the scheme's objectives.

- **Internal Controls** – there must be internal controls in place that are sufficient to ensure the scheme is managed well and in accordance with relevant requirements. Trustees are responsible for ensuring the controls are properly identified and implemented.
- **Internal Audit** – trustees must establish and maintain an effective internal audit function that is overseen and executed by an internal audit KFH in order to assist the trustees with the monitoring and review of internal controls. Trustees must also have a documented internal audit policy.

Investment: The investment requirements cover both DB and DC schemes. For both types of schemes,

trustees must have a statement of investment governance which outlines the governance process whereby investment objectives and strategy will be decided upon and implemented. Trustees must ensure there is a written contract in place for each investment manager appointed by the trustees and the trustees must specify in writing how they will define satisfactory performance of the investment manager. Trustees are also expected to conduct regular performance reviews of the investment manager.

Defined Benefit Financial

Management: this section outlines the kinds of studies and evaluations trustees must commission and consider in their management of DB schemes including assessment of the solvency, sustainability and financial risks of the scheme.

Fit and Proper Requirements: this section outlines the fit and proper requirements that apply to trustee boards, directors of sole corporate trustee

companies and KFHs. The trustees are responsible for ensuring that the fit and proper requirements are properly applied, this also extends to ensuring that the fit and proper requirements are being met on an ongoing basis.

Additional Requirements for Defined Contribution Master Trusts: this section outlines additional actions trustees must undertake to ensure satisfactory governance of DC master trusts. These additional actions cover areas such as: Conflicts of Interest; Capitalisation; Continuity Plan, Marketing of the scheme and Wind-up procedures.

The Authority has stated that it will monitor compliance with the requirements set out in the Code as part of its ongoing forward-looking risk-based supervision and have noted that the Code will be updated and adapted over time to incorporate market developments and the outcome of supervisory activities.