



# **PASA Consultation Response**

The Pensions Regulator Consultation – Combined Code of Practice

May 2021

# Acknowledgments

This response was drafted by the PASA Industry Policy Committee. We are grateful to the authors of the response and their employers.

## Response form 1: General questions about the new code of practice

### 1. Updates

**Q. We welcome any observations about a possible regular process for issuing updates to the new code. For example, should updates be annual, or at longer intervals?**

A. Given the extensive new materials and prescriptive governance requirements added, we suggest updates are initially issued every two years to allow governing bodies sufficient time to implement and operate the new legal requirements and expectations. We would also suggest clear guidance is given when updates are released as to how existing guidance is changing.

**Q. Please advise us of any concerns about regular updates. We would also be interested to hear about any topics that we should prioritise for inclusion in the new code.**

A. The timing for regular updates should be communicated at outset so governing bodies can include this in their business plans and build into their agendas and training.

There are already many new requirements included in the code which impact on pensions administration. These are comprehensive and far reaching and we have no further items which we suggest should be included.

### 2. Guidance

**Q. Which pieces of guidance, or topic areas, should be prioritised for updates following the introduction of the new code?**

A. General principles for member communications – this is key to improving member outcomes. Scheme records and data monitoring – again this is key to improving member outcomes and aligns with the Pensions Dashboards project.

### 3. Governing Bodies

**Q. Do users understand the term “governing body”?**

A. Yes. Although a new term, it is interchangeable between trustees, pensions boards and other types of managers responsible for different types of pension arrangements and clarifies consistent application of responsibilities.

**Q. Would another term work better?**

A. No, but the term should be clearly defined at outset, particularly for Public Service schemes.

### 4. No response provided

### 5. General comments about the new Code of Practice

A. Having the new code in one easy to navigate place is welcome. There are extensive new prescriptive governance requirements relating to climate change, stewardship, cyber-security, continuity planning, investment and administration which will take time for governing bodies and advisers to work through and implement at a time when trustee agendas are already over-crowded and GMP equalisation projects starting to get underway. It was disappointing to see a number of new requirements which were not explicitly called out in TPR’s presentation of this draft code.

The stand-out requirement is for pension schemes with more than 100 members to carry out an 'own risk assessment' (ORA) each year which is, as recognised by TPR, a substantial process with over two pages of detailed content. Many legacy schemes fall into this category. TPR suggests trustees plan to carry out an ORA some time in 2022 so this is ready to be produced within one year of the code coming into force. Whilst the requirements and expectations apply to trustees, they in turn will seek assurances from their advisers and administrators. Developing a standard response to enable trustees to assess against the administration requirements without incurring significant additional fees will be key.

Consideration should also be given as to how small and medium schemes can be supported to adhere to the code in a proportionate and pragmatic way.

Ultimately, the requirements of the code are likely to result in increased costs for administration services as Trustees seek greater insight and assurance.

## **Response form 4: Administration section of the new code of practice**

### **Administration (ADM001)**

**ADQ1: Is the title of the module a fair reflection of the content provided within it? If not, what would be a clearer description of this content?**

A: We would suggest the title be amended to 'Effective Administration' to reflect the goal for good quality operations to underpin pension schemes.

**ADQ2: Is it clear from the module what our expectations are, and does this content provide governing bodies with a clear sense of how expectations may be applied to their scheme's own circumstances?**

A: Yes, the module is helpful on covering the need for specialist support in the selection process and also stating selection should not focus purely on cost but also quality. The descriptions could cover the need for the Governing Body to have an understanding of what they believe success looks like from an administration perspective - and this can be shared with the Administrator. It is imperative administration services are frequently monitored once selection has been made. We welcome the guidance encouraging administration to be a regular agenda item on Governing Board Agenda's and would go further and encourage the establishment of Administration Related Sub Committees for larger Schemes.

**ADQ3: Has the subject matter of the module been covered in sufficient detail and is there any further information or guidance that would assist governing bodies in meeting our expectations?**

A: Yes – sufficient detail is provided.

**ADQ4: Are there any expectations that may be considered a disproportionate and/or unreasonable burden for a well-run scheme, or of certain types of scheme or governing body?**

A: No - there is a responsibility on Governing Bodies to ensure Schemes are administered effectively to ensure positive member/customer outcomes and measures should be put in place to ensure Schemes are well run. However, it would be useful to see additional guidance for small and medium-sized schemes as to how they can take a proportionate approach, perhaps through a series of standards for performance measurement linked to PASA's own standards in this area.

**ADQ5: Do you have any further comments on the module that have not been covered by the previous questions?**

A: One of the challenges facing Governing Bodies are the limited practical solutions available to them if administration services are poor. The time and cost to transition administration services are important factors and more processes should be put in place across the industry to drive improvements in this area and when selecting providers. Contracts should ensure well documented and transparent exit plans are included. Improving how administration can be transferred may drive better behaviours in the industry. PASA will be issuing its own guidance in this area shortly. The Guidance will be based on our current [Code of Conduct on Administration Transfers](#) and we are happy to share this if helpful.

## Financial transactions (ADM002)

**FIQ1: Is the title of the module a fair reflection of the content provided within it? If not, what would be a clearer description of this content?**

A: Yes

**FIQ2: Is it clear from the module what our expectations are, and does this content provide governing bodies with a clear sense of how expectations may be applied to their scheme's own circumstances?**

A: It is, but there is a stronger emphasis on timeliness than on accuracy and it is important financial transactions are accurate and paid to the correct person at the correct time. There could be more emphasis on ensuring identity verification is automated where possible using electronic registers and ensuring these are appropriate and timely to avoid unintended delays.

On the segregation of duties point, it is important to have appropriate financial sanction authority levels in place to complement this.

Wider use and encouragement of internal audit services to ensure processes, controls and benefit routines remain fit for purpose would enhance the guidance further.

**FIQ3: Has the subject matter of the module been covered in sufficient detail and is there any further information or guidance that would assist governing bodies in meeting our expectations?**

A: On investment reconciliations more emphasis should be placed on having well documented controls in place to ensure discrepancies are resolved promptly and also corrective measures/actions are considered if issues continue. As with FIQ2, more emphasis should be placed on having effective and timely identity verification processes in place - especially as members approach retirement. As more members have multiple jobs over a career - and therefore multiple Scheme membership, it is also useful to remind governing bodies of the need to trace members prior to normal retirement ages. Wider use & encouragement of internal audit services to ensure processes, controls and benefit routines remain fit for purpose would enhance the guidance further

**FIQ4: Are there any expectations that may be considered a disproportionate and/or unreasonable burden for a well-run scheme, or for certain types of scheme or governing body?**

A: No

**FIQ5: Do you have any further comments on the module that have not been covered by the previous questions?**

A: No

## **Transfers (ADM014)**

**TRQ1: Is the title of the module a fair reflection of the content provided within it? If not, what would be a clearer description of this content?**

A: The focus of this section is on 'Transfers Out', which may be a more appropriate title.

**TRQ2: Is it clear from the module what our expectations are, and does this content provide governing bodies with a clear sense of how expectations may be applied to their scheme's own circumstances?**

A: Given the focus on this area throughout the industry, this guidance is not disproportionate. The Code will likely need to be revisited as this area develops. We would welcome reference being made to the very detailed Guidance PASA has set out in this area.

**TRQ3: Has the subject matter of the module been covered in sufficient detail and is there any further information or guidance that would assist governing bodies in meeting our expectations?**

A: We would like to see this module extended to cover areas such as 'Taking the Pledge'.

**TRQ4: Are there any expectations that may be considered a disproportionate and/or unreasonable burden for a well-run scheme, or for certain types of scheme or governing body?**

A: No – we would like the approach to go further (as stated in response to TRQ2 and TRQ3).

**TRG5: Do you have any further comments on the module that have not been covered by the previous questions?**

A: No

## **Scheme records (ADM003)**

**SHQ1: Is the title of the module a fair reflection of the content provided within it? If not, what would be a clearer description of this content?**

A: We would suggest the title of 'Scheme records and Data management' would be more representative of the content.

**SHQ2: Is it clear from the module what our expectations are, and does this content provide governing bodies with a clear sense of how expectations may be applied to their scheme's own circumstances?**

A: The expectations and importance of accurate scheme data are very clear.

**SHQ3: Has the subject matter of the module been covered in sufficient detail and is there any further information or guidance that would assist governing bodies in meeting our expectations?**

A: There could be more emphasis on the need to ensure a strong audit trail of all transactional activity and recording amendments, processing and authorisations of data changes.

Information provided should be accurate – but also timely to ensure members can make informed decisions and choices.

It may be appropriate to amend the wording around holding data electronically 'where feasible' to 'where practical'.

It may also be useful to emphasise the importance of regular regression testing of automated calculations to ensure they remain accurate and are performing as expected.

**SHQ4: Are there any expectations that may be considered a disproportionate and/or unreasonable burden for a well-run scheme, or for certain types of scheme or governing body?**

A: No.

**SHQ5: Do you have any further comments on the module that have not been covered by the previous questions?**

A: No.



## **Data monitoring (ADM006)**

**DAQ1: Is the title of the module a fair reflection of the content provided within it? If not, what would be a clearer description of this content?**

A: Yes

**DAQ2: Is it clear from the module what our expectations are, and does this content provide governing bodies with a clear sense of how expectations may be applied to their scheme's own circumstances?**

A: Yes

**DAQ3: Has the subject matter of the module been covered in sufficient detail and is there any further information or guidance that would assist governing bodies in meeting our expectations?**

A: More emphasis should be placed on the processes and controls in place to minimise the level of errors on data, and reviews / improvement plans which focus on ensuring new data errors are minimised as well as correcting existing data errors.

PASA has published Guidance on [Data Management Plans](#) to support administrators in this area and we would be happy for references to the Guidance to be included.

**DAQ4: Are there any expectations that may be considered a disproportionate and/or unreasonable burden for a well-run scheme, or for certain types of scheme or governing body?**

A: No

**DAQ5: Do you have any further comments on the module that have not been covered by the previous questions?**

A: No

## Maintenance of IT systems (ADM015)

**MIQ1: Is the title of the module a fair reflection of the content provided within it? If not, what would be a clearer description of this content?**

A: Yes

**MIQ2: Is it clear from the module what our expectations are, and does this content provide governing bodies with a clear sense of how expectations may be applied to their scheme's own circumstances?**

A: Whilst we are not in a position to give a technical view on this section, it would be useful to reference the relevant controls reports and accreditations available in this section (eg. AAF01/06 and ISO).

## Cyber controls (ADM016)

**CYQ1: Is the title of the module a fair reflection of the content provided within it? If not, what would be a clearer description of this content?**

A: Yes

**CYQ2: Is it clear from the module what our expectations are, and does this content provide governing bodies with a clear sense of how expectations may be applied to their scheme's own circumstances?**

A: Yes.

**CYQ3: Has the subject matter of the module been covered in sufficient detail and is there any further information or guidance that would assist governing bodies in meeting our expectations?**

A: PASA has issued [Guidance on Cybercrime](#) (November 2020) and we would be happy for reference to the Guidance to be included.

**CYQ4: Are there any expectations that may be considered a disproportionate and/or unreasonable burden for a well-run scheme, or for certain types of scheme or governing body?**

A: No

**CYQ5: Do you have any further comments on the module that have not been covered by the previous questions?**

A: No

## **Receiving contributions (ADM007)**

**RCQ1: Is the title of the module a fair reflection of the content provided within it? If not, what would be a clearer description of this content?**

A: For ease of reference and clarity, we would suggest this module is combined with ‘Monitoring contributions (ADM008)’ and ‘Resolving contributions (ADM011)’ to give one clear practical code of practice on ‘Managing contributions.

**RCQ2: Is it clear from the module what our expectations are, and does this content provide governing bodies with a clear sense of how expectations may be applied to their scheme’s own circumstances?**

A: Yes, but see response to RCQ1.

**RCQ3: Has the subject matter of the module been covered in sufficient detail and is there any further information or guidance that would assist governing bodies in meeting our expectations?**

A: We would like to see reference to ensuring there is no detriment to other scheme members when Schemes are obliged to rectify individual member contributions . We would also like to see further reference to accuracy and control measures, for instance, variation testing.

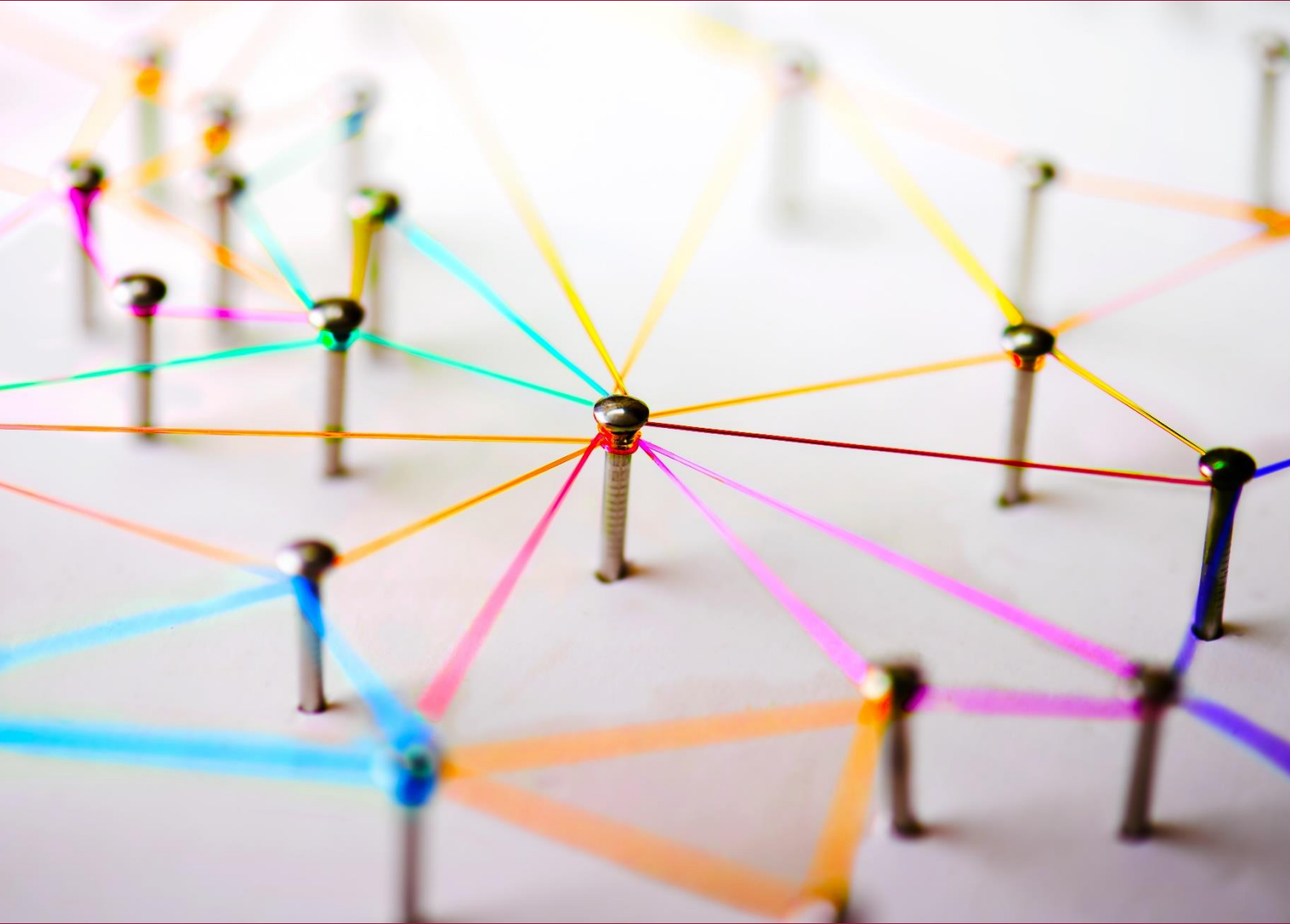
**RCQ4: Are there any expectations that may be considered a disproportionate and/or unreasonable burden for a well-run scheme, or for certain types of scheme or governing body?**

A: No

**RCQ5: Do you have any further comments on the module that have not been covered by the previous questions?**

A: No

**NB: Responses to ADM008 and ADM011 to replicate this module.**



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