ASSOCIATION OF CONSULTING ACTUARIES

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newcodeofpractice@tpr.gov.uk

Nick Gannon
Regulatory Policy
The Pensions Regulator
Napier House
Trafalgar Place
Brighton BN1 4DW

Dear Mr Gannon

The new code of practice

I am writing on behalf of the **Association of Consulting Actuaries** in response to the above consultation. We have provided detailed comments on individual modules in an **appendix separately attached** but our high-level comments are set out below.

Consultation process

The draft code represents an extensive new document, mixing existing requirements and new material covering a very wide range of topics, without a clear indication of which requirements are new, which are simply 'consolidation' or which existing requirements have been removed. This approach has made it difficult to be sure we have identified all of the potentially significant changes incorporated into the draft code – a good example of a significant and potentially problematic new requirement that we did identify is that no more than a fifth of scheme investments are to be held in assets not traded on regulated markets (on page 65 of the consultation document) which we comment on in our response to module FAI003.

For consultations on future amendments to the code, we would strongly recommend that you highlight the specific changes being made to requirements. In addition, for a consultation document of this magnitude we would suggest that at least a three-month consultation period should be allowed.

High level summary of key considerations underlying detailed responses:

- We have focused our comments on the new content within the proposed Code, which we have been able to identify.

- The detailed list of items to include in an "Own Risk Assessment" look onerous, and may raise concerns for smaller schemes (although the requirement will fall away completely for schemes with fewer than 100 members), however on detailed review we do not believe that they will raise significant problems:

  - The investment requirements do look achievable to the extent that they align with existing governance requirements, so we have commented on some refinements that will help.
  - Much of the list is expressed as a simple list of items to cover. We consider there to be benefits to this list being included in the Code (rather than in guidance) as this protects against scope creep, as it cannot be expanded without industry consultation.

- There are a number of comments on the Implementation report (i.e. implementation statement) and on investment monitoring – these are predominantly points of detail and refinements rather than fundamental changes.

- There are a number of new requirements relating to IT and Cyber security. We would expect these to be able to be met by third party providers and have limited our comments to ensuring TPR makes it clearer that trustees can delegate these functions / rely on third party reports and do not need to carry out their own tests.

- For DC, the overall view is that the existing framework was working well, so we have highlighted that we wish to retain the existing guides, as well as raising concerns about transition from Code of Practice 13. Concerns have also been raised about where new requirements are onerous or duplicate disclosures that already need to be elsewhere (this is particularly relevant to the Implementation Statement which appears to introduce new requirements.)

The attached documents cover the proposed response to the consultation in detail:

The response forms include a large number of questions (effectively, the same question repeated for each section) and we have not answered every question for every section. The summaries attached only show the sections on which have material comments.

The completed response forms as follows:

  - Response form 1: General questions about the new code of practice
  - Response form 2: The governing body section of the new code of practice
  - Response form 3: Funding and investment section of the new code of practice
  - Response form 4: Administration section of the new code of practice
  - Response form 5: Communications and disclosure section of the new code of practice
  - Response form 6: Reporting to TPR section of the new code of practice

We hope that you find the contents of this letter of assistance. We would be happy to discuss them further if that is helpful. In that event, please contact me on 01372 733763 or at peter.williams@aon.com or Sarah Brown on 01473 293072 or at sarah.brown@buck.com

Yours sincerely

Peter Williams
Chairman, Pension Schemes Committee
On behalf of the Association of Consulting Actuaries Limited

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