STATUTORY RULES OF NORTHERN IRELAND

2018 No. 214

PENSIONS

The Occupational Pension Schemes (Governance) (Amendment) Regulations (Northern Ireland) 2018

Made - - - -	*19th December 2018*
Coming into operation	*13th January 2019*

The Department for Communities(**1**), being a Department designated(**2**) for the purposes of section 2(2) of the European Communities Act 1972(**3**) in relation to personal and occupational pensions, makes the following Regulations in exercise of the powers conferred by that section.

Citation, commencement and interpretation

1.—(1) These Regulations may be cited as the Occupational Pension Schemes (Governance) (Amendment) Regulations (Northern Ireland) 2018 and shall come into operation on 13th January 2019.

(2) In these Regulations "the Order" means the Pensions (Northern Ireland) Order 2005(**4**).

Amendment of the Order

2.—(1) Article 226A(**5**) of the Order (requirement for internal controls) is amended in accordance with paragraphs (2) to (5).

(2) In the heading for "internal controls" substitute "an effective system of governance".

(3) For paragraph (1) substitute—

"(1) The trustees or managers of an occupational pension scheme must establish and operate an effective system of governance including internal controls.

(1A) The system of governance must be proportionate to the size, nature, scale and complexity of the activities of the occupational pension scheme.".

(**1**) *See* section 1(7) of the Departments Act (Northern Ireland) 2016 (c. 5 (N.I.))
(**2**) *See* Schedule 2 to the European Communities (Designation) (No. 7) Order 2004 (S.I. 2004/3328)
(**3**) 1972 c. 68; section 2(2) was amended by section 27(1)(a) of the Legislative and Regulatory Reform Act 2006 (c. 51) and Part 1 of the Schedule to the European Union (Amendment) Act 2008 (c. 7)
(**4**) S.I. 2005/255 (N.I. 1)
(**5**) Article 226A was inserted by regulation 2 of S.R. 2005 No. 567 and amended by paragraph 20 of Schedule 4 to the Public Service Pensions Act (Northern Ireland) 2014 (c. 2 (N.I.))

(4) In paragraph (2) for "internal controls" substitute "an effective system of governance including internal controls".

(5) In paragraph (3) after sub-paragraph (c) add—

"(d) an authorised Master Trust scheme within the meaning of Part 1 of the Pension Schemes Act 2017(**6**) (master trusts) or any corresponding Northern Ireland legislation.".

Code of practice

3.—(1) The code of practice which the Pensions Regulator issues under Article 85(2) of the Order (codes of practice) in relation to the discharge of the duty imposed by Article 226A(1)(**7**) of the Order (requirement for effective system of governance) must include the matters set out in paragraphs (2) to (8), in accordance with paragraphs (9) and (10).

(2) The effective system of governance(**8**), including—

(a) how it provides for sound and prudent management of activities;

(b) how it includes an adequate and transparent organisational structure with a clear allocation and appropriate segregation of responsibilities;

(c) how it includes an effective system for ensuring transmission of information;

(d) how it includes an effective internal control system;

(e) how it ensures continuity and regularity in the performance of its activities, including the development of contingency plans;

(f) how it includes consideration of environmental, social and governance factors related to investment assets in investment decisions;

(g) how it is subject to regular internal review.

(3) The following key functions in the occupational pension scheme—

(a) the risk-management function;

(b) the function which internally evaluates adequacy and effectiveness of the system of governance, and

(c) the actuarial function.

(4) Outsourcing of activities.

(5) Written policies in relation to the matters in paragraphs (3) and (4).

(6) The prior approval of the written policies in paragraph (5) by the trustees or managers of the occupational pension scheme, and the review of those policies at least every three years.

(7) Remuneration policies.

(8) The carrying out and documentation of an own-risk assessment of the system of governance by the trustees or managers of the occupational pension scheme, including—

(a) how the trustees or managers integrate the own-risk assessment into the occupational pension scheme's management and decision-making processes;

(b) how the trustees or managers assess the effectiveness of the risk-management system;

(c) how the trustees or managers prevent conflicts of interest with the employer, where the occupational pension scheme outsources key functions to the same person as the employer or to any person employed by the employer;

(**6**) 2017 c. 17

(**7**) Article 226A(1) and (1A) is substituted for Article 226A(1) by regulation 2(3) of these Regulations. The discharge of the duty imposed by Article 226A(1) is already a prescribed matter for the purposes of Article 85(2)(k) of the Pensions (Northern Ireland Order 2005 under regulation 3 of S.R. 2005 No. 567

(**8**) *See* Article 226A(1) of the Pensions (Northern Ireland) Order 2005