

# LGPS

## National Knowledge Assessment

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# Surrey Pension Fund

June 2020

# National Knowledge Assessment

## Overview

Following the success of the 2018 LGPS National Confidence Assessment, Hymans Robertson continued the journey to understand and develop knowledge levels in the LGPS with the 2020 LGPS National Knowledge Assessment (NKA). The NKA's key goal is to provide LGPS funds with an insight into the pensions specific knowledge and understanding of the people who hold decision making and oversight responsibility within their organisations.

18 LGPS funds and over 200 members have participated in this first ever National Knowledge Assessment of Pension Committee ('Committee') and Pension Board ('Board') members. The findings from this assessment will provide LGPS Funds with a quantitative report of the current knowledge levels of the individuals responsible for running their fund, aiding the development of more appropriately targeted and tailored training plans for both groups. This report is also a key document in evidencing your fund's commitment to training.

## Background

The Surrey Pension Fund ("the Fund") agreed to participate in the NKA using our online assessment. This report provides the participants' results broken down into 8 key areas. The online assessment opened in mid-March and closed at the end of May, and there were weekly progress updates provided to the Fund confirming participation levels. Each participant received their individual results report following completion of the assessment.

## Challenging test

This was a challenging multiple-choice assessment of participants knowledge and understanding of relevant subject areas. There was no expectation that participants would score 100% on each subject area tested. Rather the goal was to gain a true insight into members' knowledge in the areas covered by the CIPFA Knowledge and Skills Framework and the Pensions Regulator's (TPR) Code of Practice 14.

## Why does this matter?

In recent years there has been a marked increase in the scrutiny of public service pension schemes, including the 100 regional funds that make up the LGPS across the UK. The Public Service Pensions Act 2013 introduced new governance legislation, including the requirement for Local Pension Boards to be set up and extended the remit of the Pensions Regulator to public service schemes as set out in its Code of Practice 14<sup>1</sup>. Additionally, the Ministry of Housing, Communities and Local Government ("MHCLG") in England & Wales and Scottish Ministers in Scotland, and their respective Scheme Advisory Boards have emphasised the need for the highest standards of governance in the LGPS. This includes ensuring that all involved in the governance of public sector funds can evidence they have the knowledge, skills and commitment to carry out their role effectively.

While fund officers may deal with the day-to-day running of the funds, members of the Committee play a vital role in the scheme, and to exercise their roles effectively must be able to address all relevant topics including investment matters, issues concerning funding, pension administration and governance.

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<sup>1</sup> Governance and administration of public service pension schemes – issued April 2015



### Recent events

The introduction of Markets In Financial Instruments Directive II (MIFID II) in January 2018 required Committee members to evidence their knowledge in order to be treated as professional investors. Also, in late 2019 the Scheme Advisory Board for England and Wales began a review of governance arrangements for LGPS funds. This project – termed ‘Good Governance’ – addressed stakeholder knowledge and skills. A clear recommendation of the Good Governance project is that the knowledge levels already statutorily required of Board members should also be required of Committee members. These recent events have reaffirmed that LGPS funds should evidence the training provided and current knowledge and understanding levels retained within their Committee and Board.

We would encourage the use of these results to better understand the areas where Committee and Board members feel comfortably informed, but crucially where further training may be of benefit.

In keeping with the theme of increased external scrutiny, it is important not only that the Committee and Board have confidence in their roles, but also that the Fund can demonstrate the steps taken to facilitate this. We would suggest you keep a record of the process used to assist the Committee and Board with training and development. This report should form part of the overall training records for both groups.

### Approach

The members of the Surrey Pension Fund Committee and Board were invited to complete an online knowledge assessment. In total there were 9 respondents from the Committee and there were 6 respondents from the Board. Each respondent was given the same set of 47 questions on the 8 areas below:

1	Committee Role and Pensions Legislation	5	Procurement and Relationship Management
2	Pensions Governance	6	Investment Performance and Risk Management
3	Pensions Administration	7	Financial Markets and Product Knowledge
4	Pensions Accounting and Audit Standards	8	Actuarial Methods, Standards and Practices

Under each subject heading, there were at least 5 multiple choice questions to answer. Each question had 4 possible answers, of which one answer was correct. This allows us to build a picture of the knowledge levels of each individual member in each of the topics, but crucially to help inform you of the overall levels of knowledge in each area.

## Results

The responses for all members who participated have been collated and analysed. For each section we have shown:

- The Fund's overall ranking against other participating LGPS funds
- The average score for each of the 8 subject areas, for both the Committee and Board.
- Each average score benchmarked for both groups against the other NKA participant funds' Committee and Board for each of the 8 subject areas
- Engagement levels for both the Committee and Board and how these levels rank against other LGPS funds

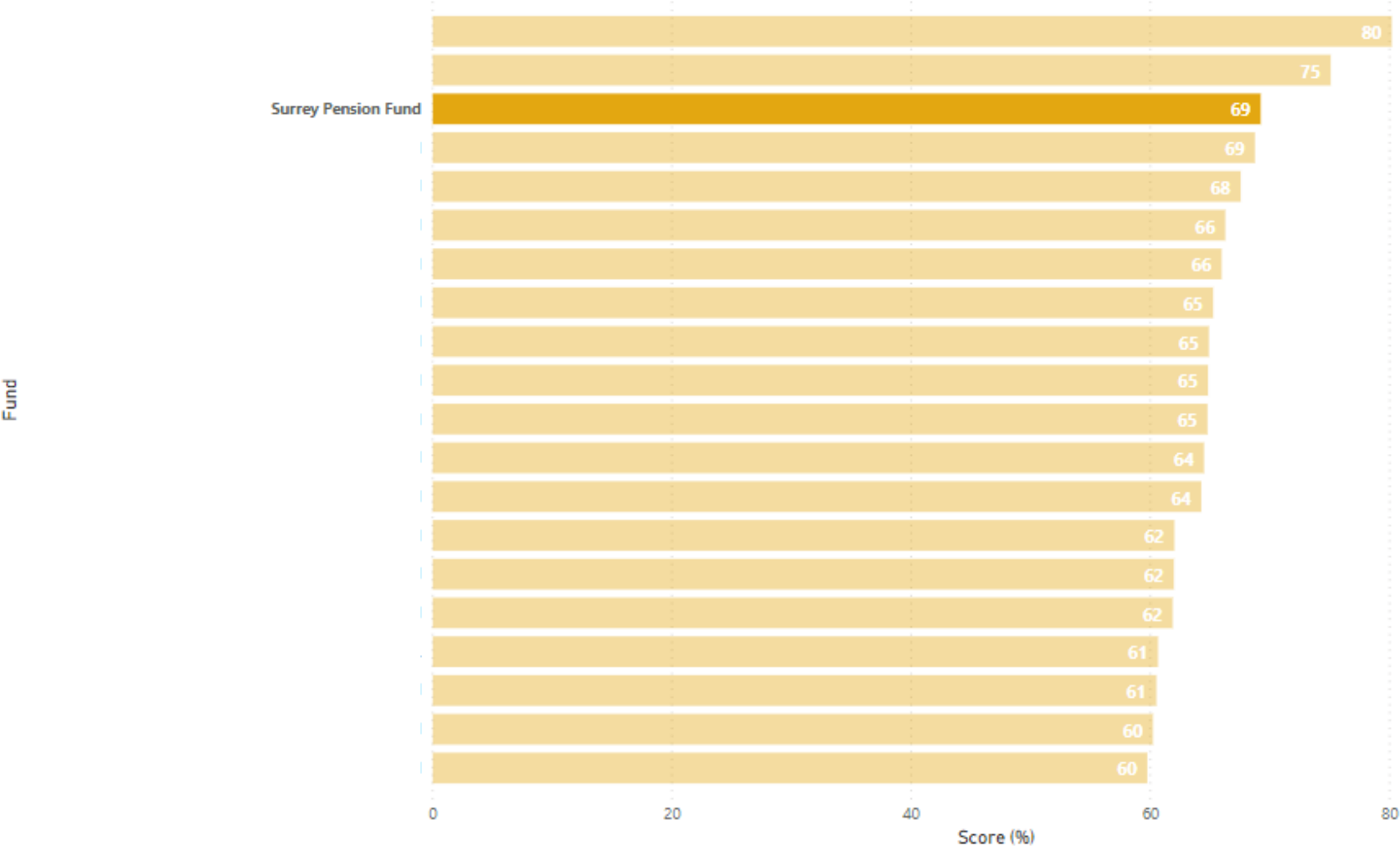
Based on the results and the responses received from participants we have also completed a proposed training plan for the Fund over the next 18 months, as well as some other "next steps" to consider.



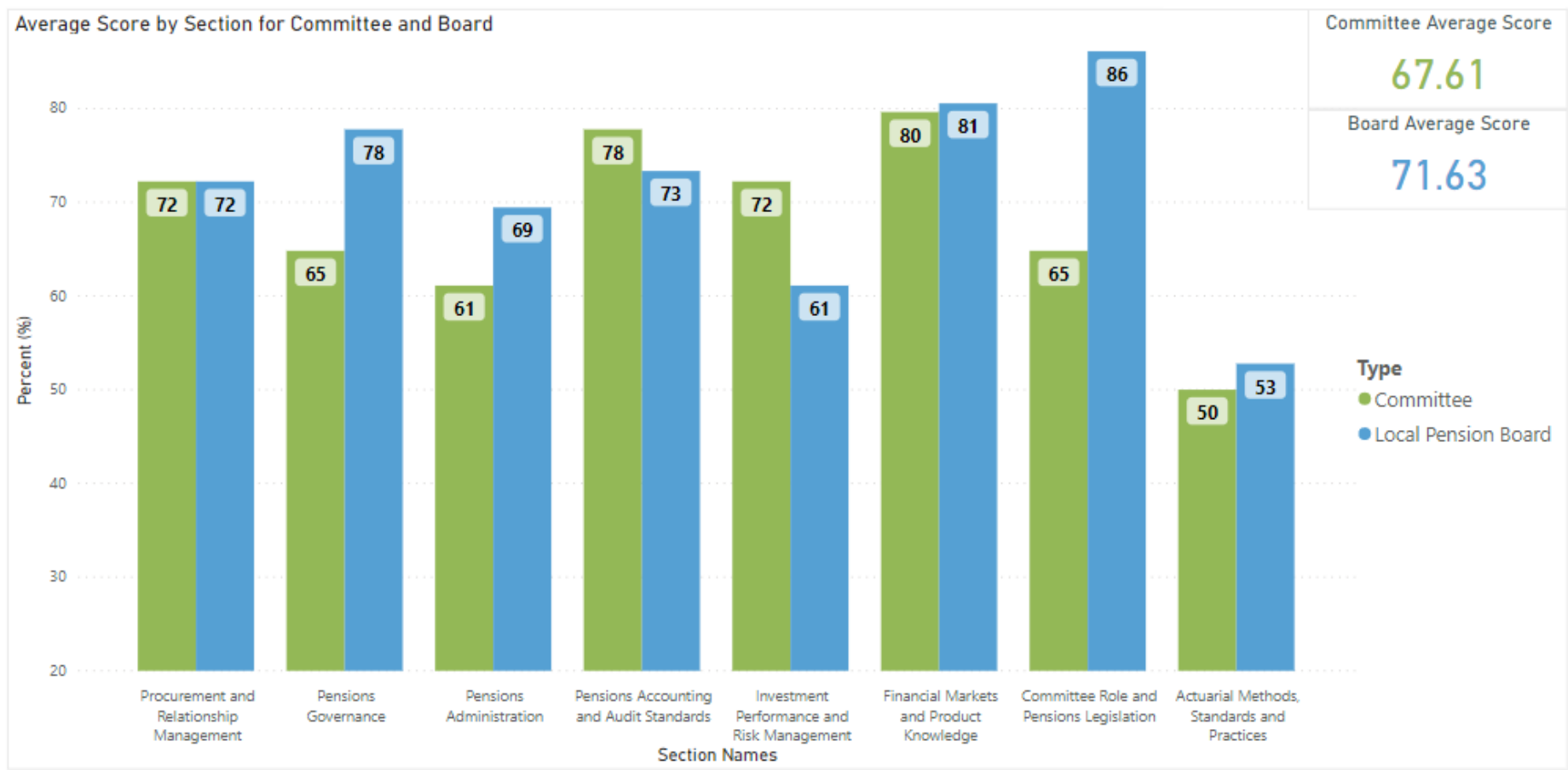
Overall Results

The table below shows how the overall average score for your Fund compares with that of all other funds who took part in the Assessment. The “score” shown below is the average score of all participating Committee and Board members from each Fund. The Surrey Fund is 3<sup>rd</sup> out of 18 Funds.

Fund Ranking



For each of the assessment’s 8 areas we have shown the results of both the Committee and Board. These have been shown in the order in which the sections appeared in the survey. There is also a summary showing the average scores across all sections for the Committee and Board.

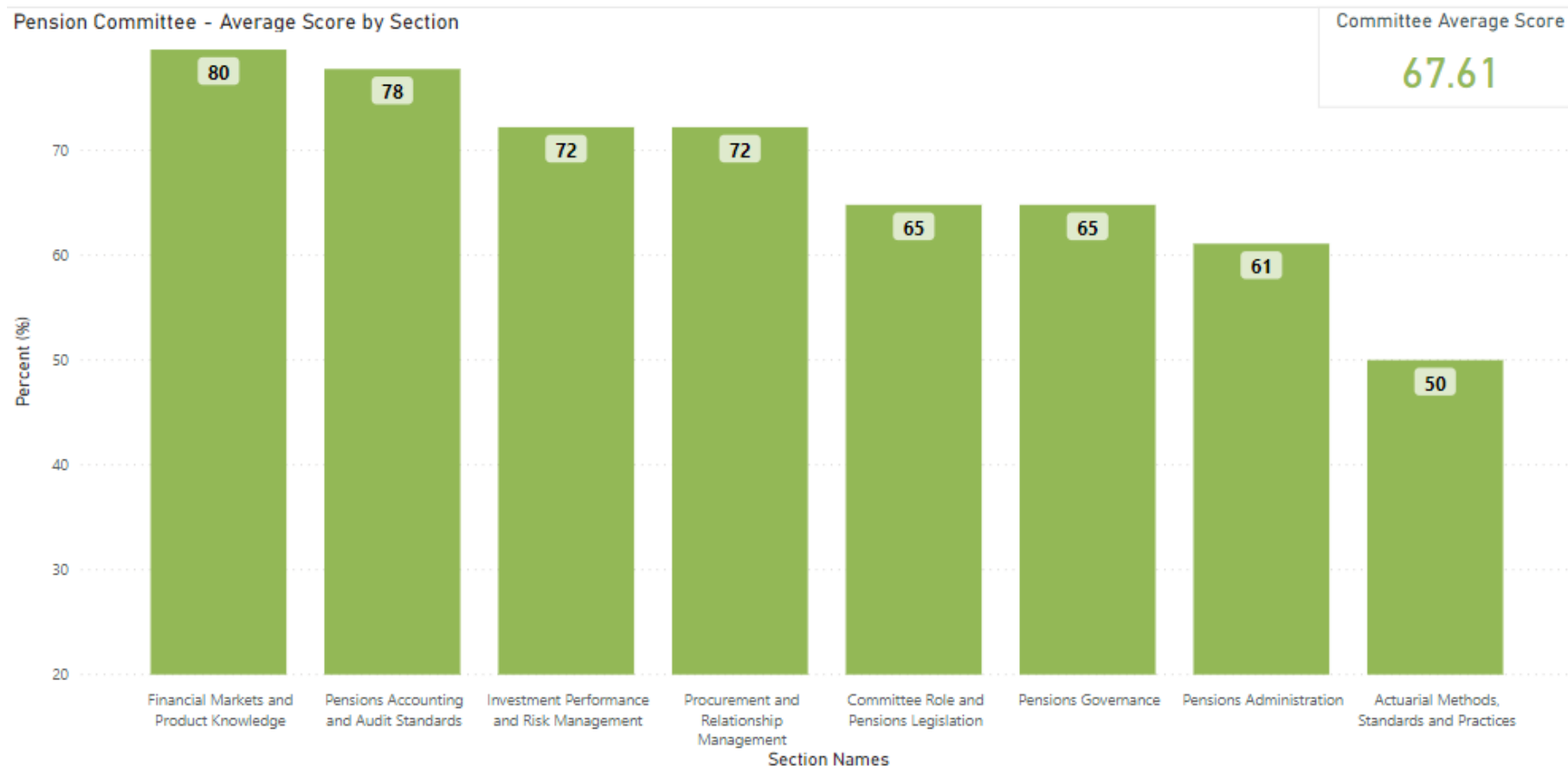


The results show that the Board participants scored stronger on almost all areas apart from pensions accounting and investment performance in comparison to their Committee counterparts. This is perhaps due to a historical preference shown by many LGPS Committees where they concentrated most of their time on areas like this and Investments.

### Performance in each area

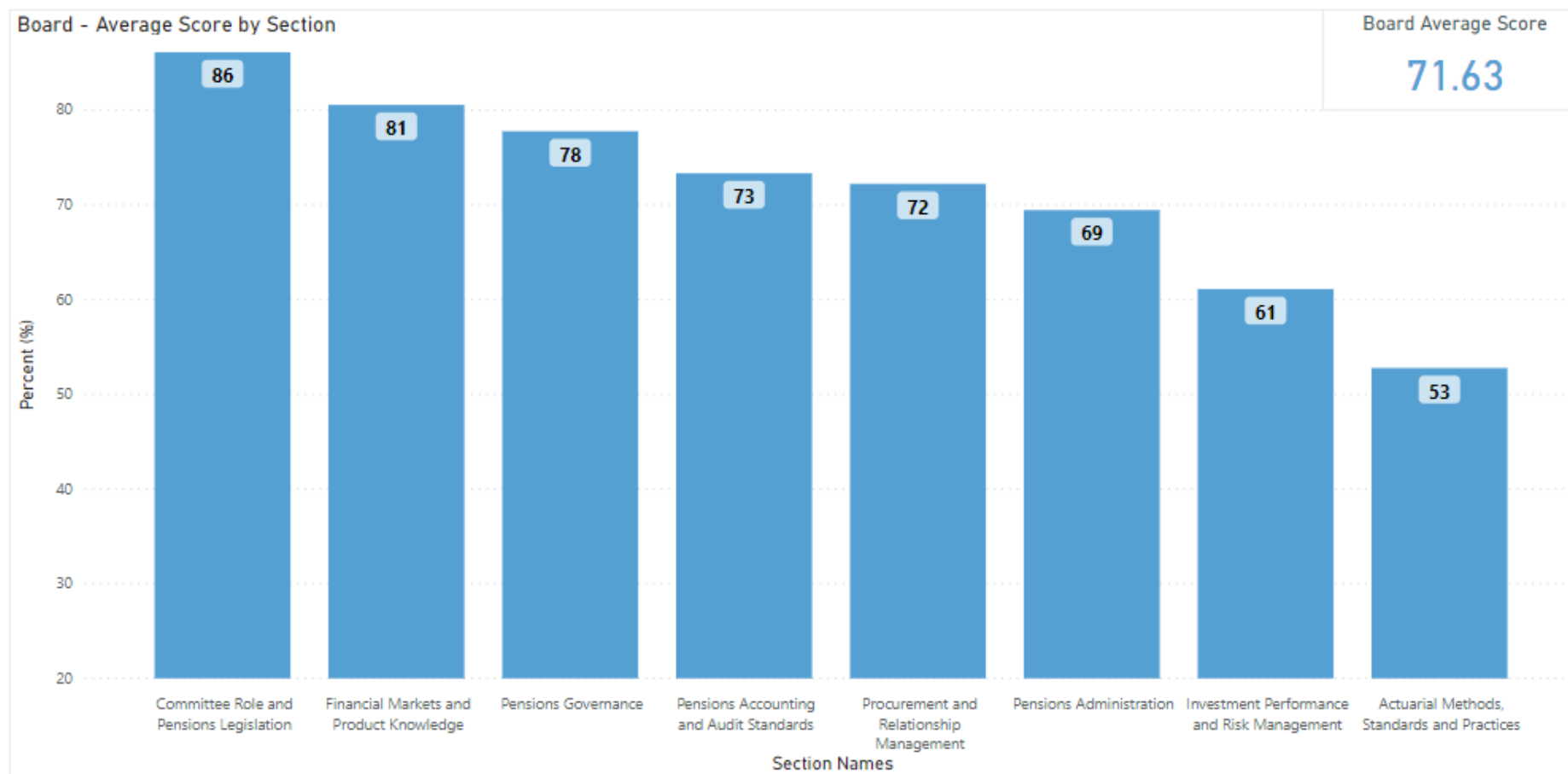
The results can be ranked for each section from the highest score (greatest knowledge) to lowest score (least knowledge). This is shown separately for both the Committee and the Board. The intention is that training plans and/or timetables can be tailored to focus on the areas of least knowledge, whilst ensuring the Committee and Board maintain the high level of knowledge in the stronger areas.

### Pension Committee



The results show the scores for Financial markets and product knowledge as well as pensions accounting were significantly higher than other areas. There was a good spread of knowledge across other areas too. Actuarial methods, standards and practices was the area with weakest scores – significantly lower than all other areas.

## Pension Board



The Committee's role and pensions legislation was the highest scoring area for the Board. Financial markets and product knowledge was also answered strongly.

It does appear that the Board's knowledge in the other areas is generally good. Actuarial methods, pension administration and investment performance would be the key areas to focus on. This is highlighted further in the following section which compares the Surrey results, with all participating funds' results.

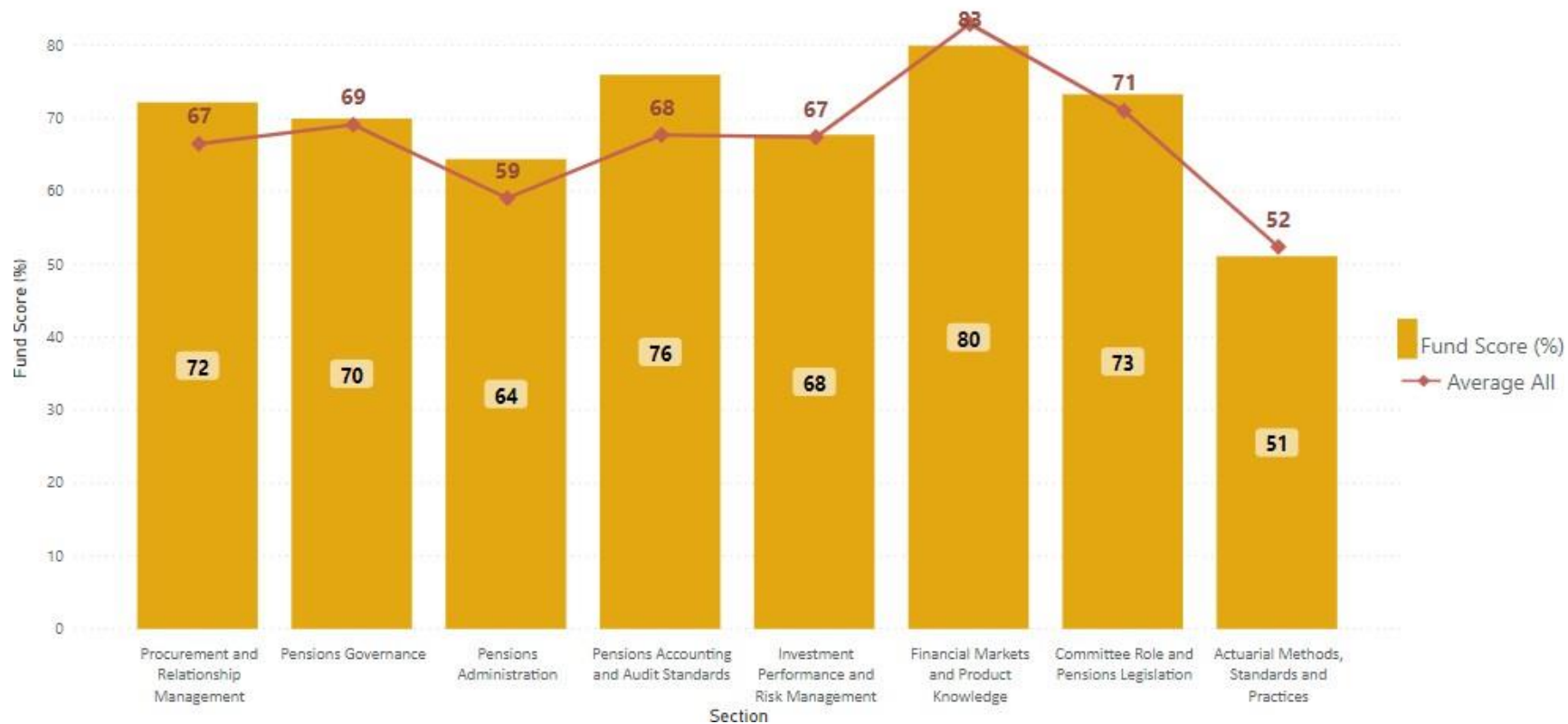


## Benchmarking

As this assessment is being conducted at national level across a number of LGPS funds we are able to provide details of how your Fund's results compare to those across the average of all funds who have taken part to date. We have provided a comparison of the results for both your Fund's Committee and Board, versus the average scores nationally for each group. This gives an idea of the knowledge levels across these groups, relative to the national average.

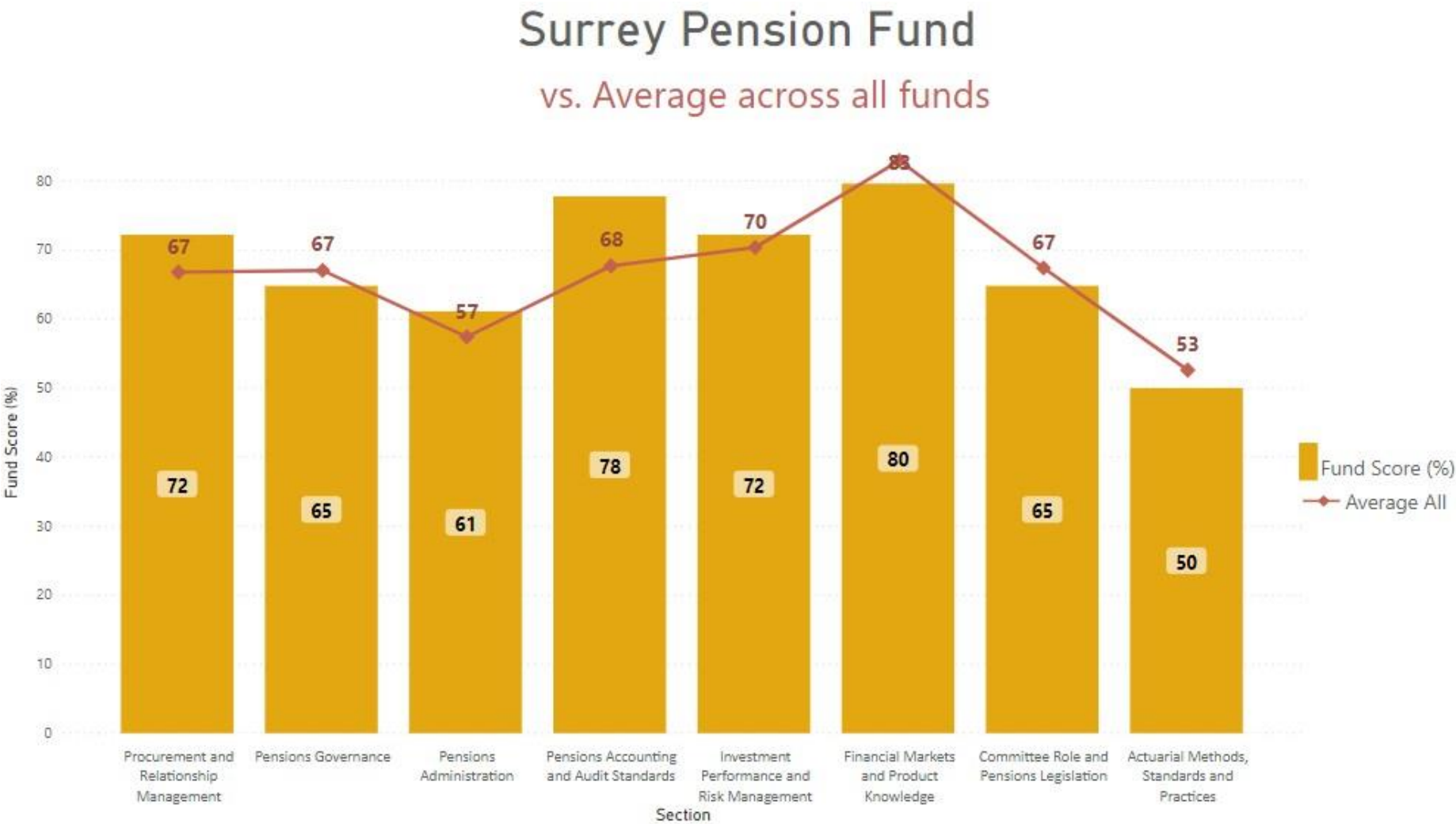
### Committee and Board combined

## Surrey Pension Fund vs. Average across all funds



Pension Committee

The following chart shows how your Fund's Committee scored in each section, versus the national average of all Committee members who took part.



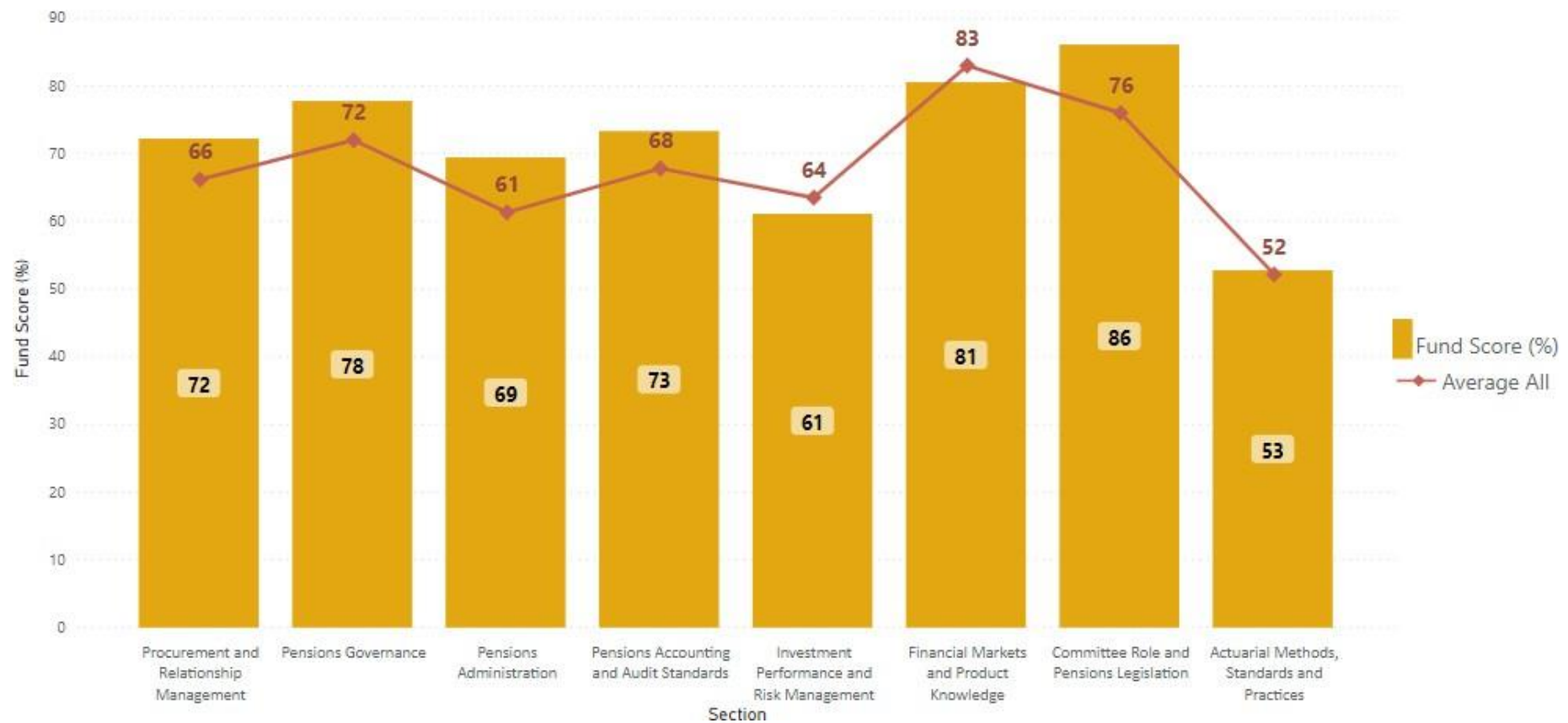
The Committee ranked 6 out of 20 Funds' Committee results



### Pension Board

The chart below shows how your Fund's Board scored in each section, versus the national average of all Board members who took part.

## Surrey Pension Fund vs. Average across all funds



The Board ranked 4 out of 20 Funds' Board results.

**Commentary**

It is very encouraging that 15 participants from your Fund took part in the assessment. Overall the results were positive and it is clear that there are areas of greater knowledge and there are those that should be developed over time. We would fully expect there to be gaps in the knowledge of all members, no matter their role on the Committee/Board, their tenure or indeed their background in terms of pensions experience. The most important thing to emphasise is that not everybody needs to be an expert in all areas, rather there should be a spread of knowledge across your Committee and Board which is supported by advice from officers and professional advisors.

Just as important as gaining the relevant knowledge and understanding expected of a Pension Committee or Board is the application of that knowledge and understanding, including the utilisation of an individual's own background and perspective. To supplement a Fund's training plan, we recommend that case study analysis is also included as part of both the Committee and Board training plans, allowing time for reflection on how both groups react and act on issues.

**Committee**

The results show that Financial markets and product knowledge has the highest levels of knowledge, but that the areas to focus any specific training on might be actuarial methods, governance, as well as pensions administration.

**Local Pension Board**

The results show that the highest levels of knowledge relate to financial markets and the role of the Committee, with Governance also scoring well. The areas to focus any specific training on might be actuarial methods and investment performance for the Board.

The next step would be to try and develop the knowledge about the lower scoring areas. You might already have a training plan in place, in which case you could use these results to tailor the specific training and with the knowledge of these results, ensure it aligns with your priorities.



Engagement

One of the key areas that we recommend funds focus on is Committee and Board engagement. With the ever-increasing pace of change in the pensions and investments world, member engagement is critical to maintaining strong collective knowledge. There is an expectation that they need to be not only willing, but keen to develop their knowledge and understanding across the raft of topics upon which they will need to make, or ratify, decisions.

Overall engagement

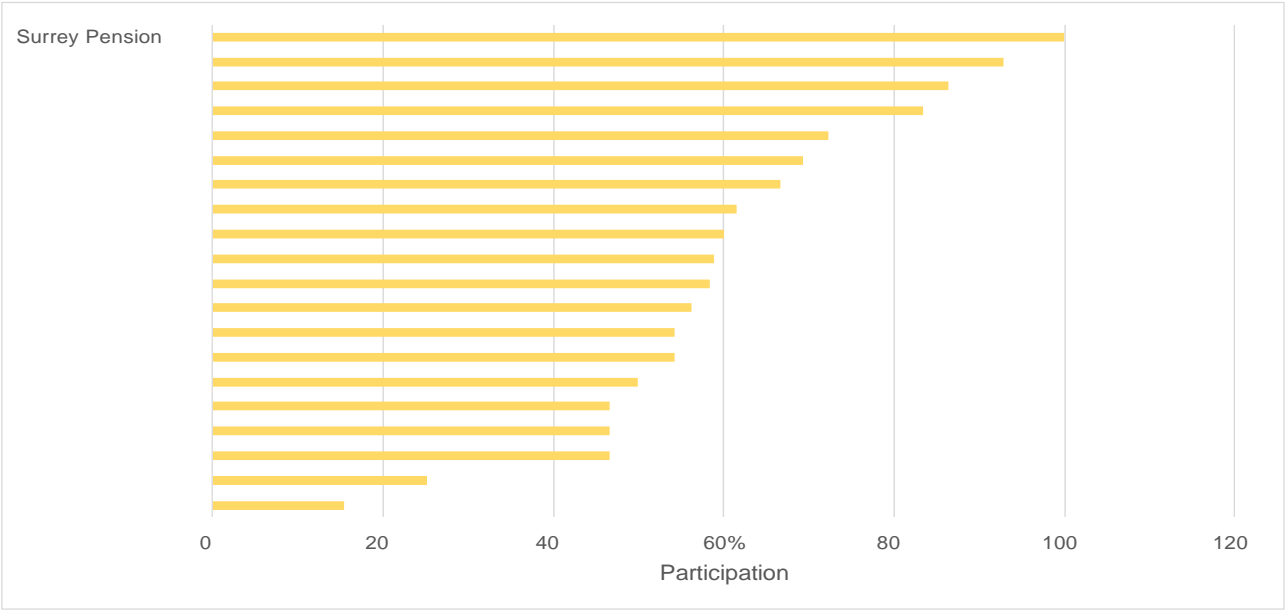
One measure of the engagement of members is their willingness to participate in training. As such, we have used the participation level of this survey to measure the engagement of your Committee and Board members. The table below shows the breakdown of the total number of participants from the Surrey Fund, as a proportion of those who could have responded.

	Participants	Total Number	Participation rate
Committee	9	9	100%
Board	6	6	100%
Total	15	15	100%

We understand that different Committees function in different ways and have different numbers of members. We therefore draw no conclusions or make any inferences from these results. The information is simply being provided to the Fund officers, as they will be best placed to draw any conclusions.

Engagement benchmarking

The chart below shows how your Fund's participation level compares with that of all other funds who took part.



**Commentary on engagement**

That all 15 participants from your Fund took part in the assessment is extremely encouraging. With the number of changes to the LGPS in recent years, it is vital that Committee and Board members remain abreast of the latest developments and feel confident that they have the knowledge required to make the decisions required of them. Their level of engagement is a key driver of this.

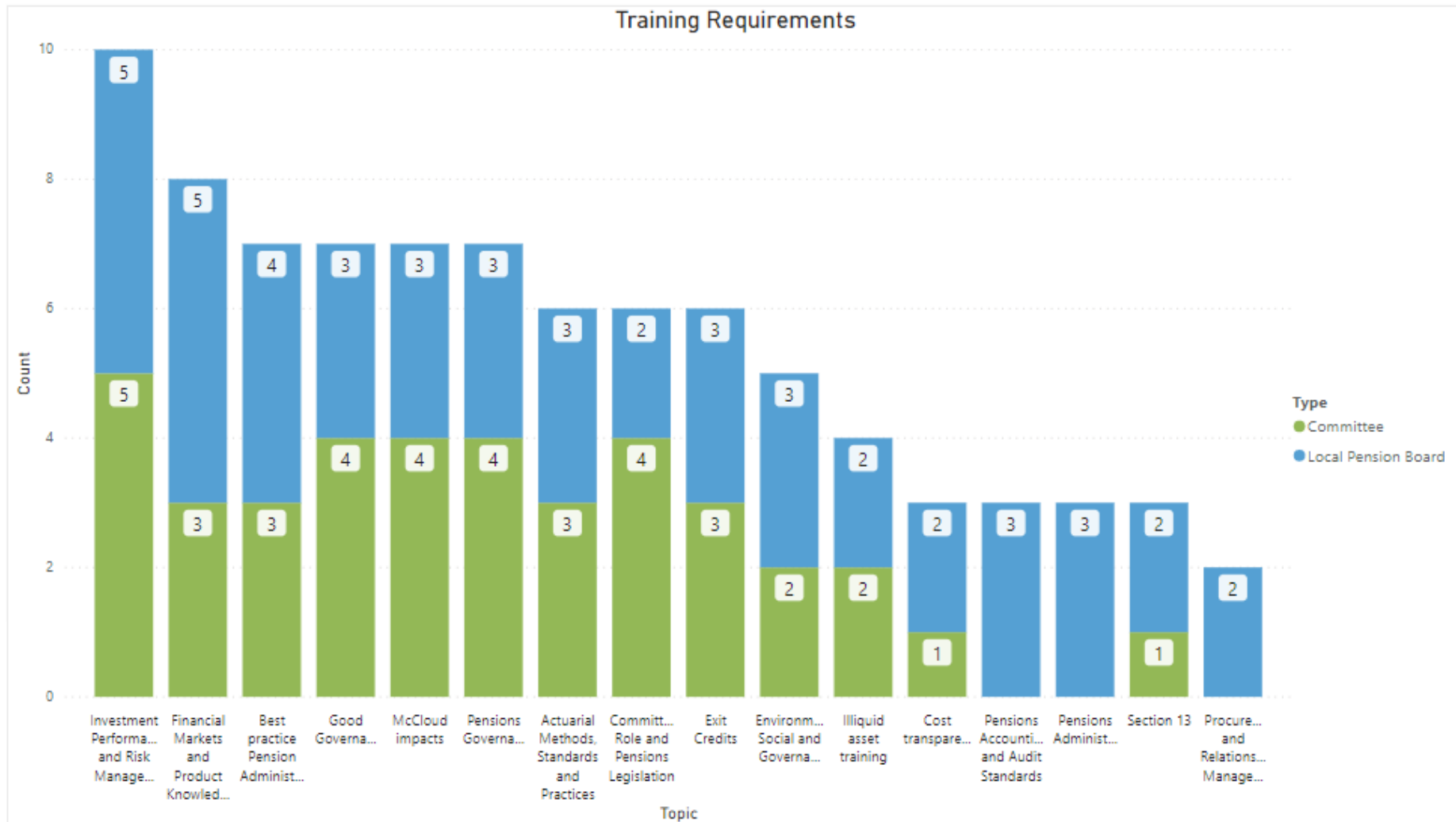
Engagement is at a high level and the focus should now be on maintaining this, particularly in the current climate where face-to-face meetings and therefore delivery of training sessions might be difficult for some time to come.



### Training feedback from participants.

One of the final sections of the survey asked participants to indicate which topics they would like to receive training on. There was a list of options available, covering a broad spectrum of the topics we believe are most relevant to allowing Committee and Board members to effectively perform their roles. Members were also given the option to indicate any other areas in which they would benefit from further training.

The table below summarises the areas in which members indicated training would be beneficial.



In the addition to the pre-defined list of training, we also asked participants for comment and areas in which they feel further training would be beneficial. We have provided a selection of these comments below:

*"Risk Management in practice"*

*"I would benefit from training in all relevant areas"*

### Suggested Training Plan

We have put together a summarised training plan below, picking out the key areas for development based on participant assessment results and the training requests. This might be identical for the Committee and Board, to ensure consistency. Alternatively, you may in the short term, wish to implement different training plans, to assist in the areas of development highlighted in this report.

2021/22 – Q1	<ul style="list-style-type: none"> <li>Investment performance and risk management – this was the most requested training topic, and one for which knowledge levels were around average level of NKA participant scores.</li> <li>Impact of McCloud (Administration, Governance and Funding)</li> <li>Actuarial Methods</li> </ul>
2021/22 – Q2	<ul style="list-style-type: none"> <li>Pensions administration (ever increasing complexity) and SAB Good Governance</li> </ul>
2021/22 – Q3	<ul style="list-style-type: none"> <li>For the Committee – the role of the Committee and pensions legislation</li> <li>For the Board – Procurement and relationship management</li> </ul>
2021/22 – Q4	<ul style="list-style-type: none"> <li>For the Committee - Pensions governance</li> <li>For the Board - Accounting and audit standards for the Board</li> </ul>
2022/23 – Q1	<ul style="list-style-type: none"> <li>Valuation training sessions – purpose, role, outcomes etc. This has been timed to coincide with the 2022 Actuarial Valuations.</li> </ul>



## Training support

Tools such as this online assessment offer different ways for members to take part in training. There might be more options for online training sessions which you could take advantage of. We have noted some training materials and websites below which might help you deliver focussed sessions to your Committee and Board and keep them informed on the most pertinent pension areas.

- CIPFA Knowledge and Skills Framework
- [TPR Public Service Toolkit](#)
- [LGA fundamental training – currently a ‘physical’ attendance course](#)
- [LGA monthly bulletins](#)
- Hymans Robertson Training videos for Committee and Board members (details noted below)

**Navigating the LGPS**  
Online training course for PC and PB members

HYMANS ROBERTSON

**For members**

- An online course covering all aspects of the refreshed CIPFA Knowledge & Skills Framework and TPR's Code of Practice 14
- Consists of 10-15 minute presentations with supplementary learning materials
- Work at your own pace

**For funds**

- Cost effective training for new and existing members
- Regular feedback on the progress of members to demonstrate compliance

Coming Soon

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## Next Steps

Based on the results we would suggest that there should be consideration to the following next steps:

- This report should be **reviewed** by the funds officers and results shared with the Committee and Board
- Set up a **structured training plan** for the next 18 months covering the main areas highlighted in this report
- Plan for the **delivery** of training over a 6-month period while meeting restrictions might continue to be in place
- Consider the most **pressing** training requirements in the coming months, to ensure members have the required knowledge such as the effect of COVID-19 on assets and liabilities and how this might develop over time
- **Assess** the tools available to the Fund to assist with training.
- Consider ways of **maintaining** and **increasing** the engagement of both the Board and Committee. This could include providing them with more information, training materials, briefing notes etc.
- Ensure that the Fund's training strategy is up to date and **appropriate** for purpose
- Look to conduct a **case study workshop** with your Committee and Board. This will gain officers a further insight into the **practical application** of both groups knowledge and understanding. This could be presenting various scenarios e.g. how the administration teams will deal with the McCloud judgement and allowing group discussion on how the Committee and Board would deal with selected case studies in their role as decision makers and oversight bodies. Hymans Robertson can facilitate a case study workshop for your Committee and Pension Board, as well as preparing an observation report for the Fund.

## Hymans Support

We are happy to run training sessions, and/or provide training materials covering any of the topics covered in this report. The value of a face-to-face session for this type of training lies in members being able to ask relevant questions and interrogate the trainer on the specific areas they want to develop knowledge in. We understand that at present this will exclude physical attendance, but we are happy to set up video conference calls to assist with the ongoing training of both groups now. We will very soon be releasing our Hymans LGPS online training support that will give a comprehensive but bitesize training course.

We will be producing an NKA report discussing and analysing the results at the national level. A copy of this will be made available to the Fund when that report is complete.



If you wish to discuss the contents of this report further, please get in touch with either myself, Alan or Gemma.

Prepared by Hymans Robertson LLP.



Andrew McKerns

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**Reliances and Limitations**

This report has been prepared for the Surrey Pension Fund.

This report must not be released or otherwise disclosed to any third party except with our prior written consent, in which case it should be released in its entirety.

Hymans Robertson LLP do not accept any liability to any party unless we have expressly accepted such liability in writing.

This report has been prepared by Hymans Robertson LLP, based upon its understanding of legislation and events as at September 2020.

