TEESSIDE PENSION FUND

Administered by Middlesbrough Council

PENSION FUND COMMITTEE REPORT

25 SEPTEMBER 2024

DIRECTOR OF FINANCE – DEBBIE MIDDLETON

LGPS – NATIONAL KNOWLEDGE ASSESSMENT

1. PURPOSE OF THE REPORT

1.1 To provide Members with information about the Local Government Pension Scheme (LGPS) National Knowledge Assessment facilitated by consultants Hymans Robertson and to ask Members to agree that they and Members of the Teesside Pension Board ('the Board') should undertake this assessment.

2. **RECOMMENDATION**

2.1 That Members agree
- to participate in the Local Government Pension Scheme (LGPS) National Knowledge Assessment facilitated by consultants Hymans Robertson, to help assess the Committee's collective relevant LGPS knowledge with a view to facilitating targeted training to meet any training needs identified.
- to include the members of the Teesside Pension Board in the assessment process.

3. **FINANCIAL IMPLICATIONS**

3.1 The cost of participating in the National Knowledge Assessment is £3,500 plus VAT. Assuming full participation by the Committee and Board this equates to around £167 a person.

4. **BACKGROUND**

4.1 In January 2019 the LGPS Scheme Advisory Board ("SAB") commissioned Hymans Robertson to assist in delivering a review of governance across the LGPS. This review was termed the 'Good Governance' project. This review recognised the Pension Regulator's ("TPR") push to increase governance and administration standards in pension schemes, including public service pension schemes, for which it has oversight responsibility.

4.2 TPR's sustained push to increase governance standards at LGPS funds can be traced through its:
- General Code of Practice (which supersedes the similarly worded Code of Practice 14) – which sets out the expectations, roles and responsibilities of the officers, decision

makers (Committee) and Pension Board as regards to governance and administration standards

- 21st Century Trustee campaign – launched in summer 2019 and designed to raise the standards of those responsible for pension schemes
- 2018/2019 'deep dive' into 10 LGPS funds – 10 funds of varying sizes were chosen and assessed based on the main components of the Code of Practice 14.

4.3   The purpose of the SAB Good Governance review was to examine existing governance arrangements and consider ways in which gaps could be identified and addressed, good practice shared more widely, and greater transparency provided. The SAB was clear that only recommendations that retained a link with local democratic accountability were to be considered. Although the Good Governance Review recommendations have not yet been formally taken forward by government, compliance with them will allow the Fund to demonstrate it is following best practice.

4.4   Following Hymans Robertson's review, proposals were set out in 6 main areas (see Appendix A for detail and proposals relating to the below areas):
- General;
- Conflicts of Interest;
- Representation;
- Knowledge, understanding and training;
- Service delivery for the LGPS function; and
- Compliance and Improvement

The full review document was provided to the 22 January 2020 Committee meeting.

4.5   Some of the key recommendations set out in the review included:
- Each LGPS Fund must have a single named officer who would be responsible for all LGPS-related activity for their Fund;
- Each Fund must produce a conflicts of interest policy;
- A requirement for key individuals within the LGPS, including LGPS officers and pensions committees, to have the appropriate level of knowledge and understanding to carry out their duties effectively
- Administering authorities to publish a policy setting out their approach to the delivery, assessment and recording of training
- Each administering authority reporting the Fund's performance against an agreed set of indicators designed to measure standards of service

4.6   Key for the development of the National Knowledge Assessment are the Knowledge and Understanding recommendations within the Good Governance report. Within that section are recommendations that Pension Committees hold a similar level of knowledge to that of the Local Pension Board. The report stated that "*while there exists a statutory duty on members of local pension boards to maintain an appropriate level of knowledge and understanding to carry out their role effectively, no such statutory duty applies to those sitting on s101 committees*". It then continues by stating "*the Guidance should mandate a similar knowledge and understanding requirement for those carrying out a delegated decision-making role on s101 committees*".

4.7   The Good Governance report states that training should be provided in a "supportive environment" and "members will not be required to undertake a test, although it is recognised that best practice would include assessments or other means to identify gaps in knowledge". The National Knowledge Assessment addresses these issues and is starting position for Pensions Committees and Boards knowledge and understanding requirements.

5.   **FORMAT**

5.1   What is the National Knowledge Assessment?

        The National Knowledge Assessment (NKA) is offered by Hymans Robertson LLP. It is a multiple-choice assessment over 8 areas (6 questions in each area) testing the knowledge of Pension Board and Committee members against the requirements set in legislation, along with the recommended knowledge levels produced by The Pensions Regulator and CIPFA.

5.2   The 8 topic areas are:

        • Committee Role and Pensions Legislation
        • Pensions Governance
        • Pensions Administration
        • Pensions Accounting and Audit Standards
        • Procurement and Relationship Management
        • Investment Performance and Risk Management
        • Financial Markets and Product Knowledge
        • Actuarial Methods, Standards and Practices

5.3   What are the benefits?

        Taking part in the NKA is a quick and straightforward way of testing the knowledge of the Pension Board and Pension Committee.

        Hymans Robertson provide the Fund with a report showing the results achieved (overall Fund results, Board results and Committee results), allowing Officers to identify training needs and plan how those needs will be met in the year ahead. Additionally, the NKA report will provide information of the Fund's results compared with other Funds which take part in the NKA. This will provide a clear indication of how your Fund compares with the wider market and allow you to track your improvements against a benchmark.

5.4   Testing the knowledge and skills of the Committee and Board is an important part of demonstrating good governance, both to TPR and the Fund membership. The Fund will be able to demonstrate it is taking action to meet this expectation through utilising the NKA.

5.5   How long does it take?

        Completing the NKA should take around 20 minutes.

5.6 Should the Committee agree to progress with the Knowledge Assessment, each Committee and Board member will be asked to complete the assessment. As well as giving an indication of individual strengths and weaknesses, more importantly this type of assessment helps identify any areas where collectively the Committee or the Board require development. This would then allow more targeted training to be developed and delivered. In addition, as at least 20 LGPS Funds have already undertaken the Knowledge Assessment, it will be possible to benchmark the results against those of other Funds.

5.7 Committee and Board members already have access to the Hymans Robertson LGPS Online Learning Academy (LOLA) which includes a series of short videos providing information and training in all the areas listed in paragraph 5.2 above:
https://www.hymans.co.uk/services/lgps-online-learning-academy/

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