TEESSIDE PENSION FUND

Administered by Middlesbrough Council

PENSION FUND COMMITTEE REPORT

11 DECEMBER 2024

DIRECTOR OF FINANCE – DEBBIE MIDDLETON

National Knowledge Assessment Outcome

1.   PURPOSE OF THE REPORT

1.1   To report to Members the outcome of the National Knowledge Assessment recently undertaken by Teesside Pension Board and Pension Fund Committee members, and to discuss a potential training plan to address gaps in knowledge identified by the assessment.

2.   RECOMMENDATIONS

2.1   That Members note and discuss this report and agree that:

- A focused training plan, as suggested in Appendix A, should be developed and delivered to Committee and Board members.
- The Head of Pensions Governance and Investments will develop this plan in consultation with the Chair and Vice Chair, and will look to gain insight and support from Border to Coast Partner Funds (and the company itself) where possible, to understand what training approaches and methods have been most successful at other LGPS funds.
- A training budget set at £50,000 a year is maintained to allow external companies and individuals to be commissioned to assist with this training where appropriate.
- Expenditure on external training will be determined by the Head of Pensions Governance and Investments in consultation with the Chair and Vice Chair.

3.   FINANCIAL IMPLICATIONS

3.1   The proposed budget of £50,000 (or just under £2,400 per Committee and Board member) if agreed, will be set aside to fund external training, this will be recharged to the Fund's governance costs and will be reviewed annually.

4.   BACKGROUND

4.1   The Local Government Pension Scheme (LGPS) Regulations 2013 were amended in line with requirements introduced by the Public Service Pensions Act 2013 for all public service pension schemes to establish a pension board. Under the LGPS Regulations, each LGPS administering authority had to set up a Local Pension Board with effect from 1 April 2015.

4.3   In order to fulfil this function, and to comply with the requirements of the overriding regulations and legislation, the Board needs to have and maintain appropriate knowledge and understanding of the LGPS and pensions in general, In particular (as set out in the Board's Terms of Reference: a member of the Board **must be conversant with**:

- the legislation and associated guidance of the Local Government Pension Scheme (LGPS), and
- any document recording policy about the administration of the LGPS that is adopted by the Teesside Pension Fund.

a member of the Board **must have knowledge and understanding of** –

- The law relating to pensions, and
- Any other matters which are prescribed in regulations.

4.4   The Board is a reviewing and scrutiny body, whereas the Pension Fund Committee retains the decision-making power relating to all the Pension Fund's activities including investment, administration and governance. Nevertheless there is currently no legal requirement for Committee members to have a specific level of knowledge and understanding in relation to pensions or investments in general or the Local Government Pension Scheme in particular. However, the expectation is that this anomaly will soon end as the Government's LGPS (England and Wales) 'Fit for the Future' consultation includes proposals that when enacted will mean Pension Fund Committee members will be legally required to have a similar level of knowledge and understanding to that currently required of Board members.

5.   KNOWLEDGE ASSESSMENT

5.1   Actuarial and consultancy firm Hymans Robertson developed a knowledge assessment tool which is used by LGPS Funds to help assess the knowledge and understanding of their local pension boards and pension fund committees. 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

5.2 Hymans Robertson describe their knowledge assessment tool as follows:

"The National Knowledge Assessment is a challenging multiple-choice assessment of participants' knowledge and understanding of key pension 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 recently launched Pensions Regulator's (TPR) General Code of Practice."

5.3 The Committee and the Board participated in the knowledge assessment recently and a summary of the main outcomes is included in this report. As well as giving an indication of individual strengths and weaknesses, more importantly this type of assessment helps identify any areas where collectively the Board and the Committee require development. This will allow more targeted training to be developed and delivered.

6. ASSESSMENT PROCESS

6.1 Nine out of fifteen Pension Fund Committee Members and three out of six Board Members participated in the assessment. This represents a collective participation rate of just over 57%.

6.2 Each respondent was given the same set of questions on the eight topic areas listed in paragraph 5.2 above.

Under each subject heading, there were 6 multiple choice questions to answer. Each question had 4 possible answers, of which one answer was correct. This builds a picture of the knowledge levels of each individual member in each of the topics, and identifies overall levels of knowledge in each area.

6.3 Consultants Hymans Robertson analysed the outcome and as well as providing each participant with individual scores and feedback collated the information into a report. The report is enclosed at Appendix A.

7. OUTCOME AND NEXT STEPS

7.1 The outcome of the Knowledge Assessment was discussed with the Board at its 25 November 2024 meeting, which agreed that a training programme should be developed which Committee which Board members could participate in.

7.2 The report identifies a number of areas where the Committee and Board would benefit from additional training. Hymans Robertson included further suggestions in Appendix A in relation to developing a training plan, focussing on the gaps identified in the Knowledge Assessment.

7.3 One of the areas identified where there was a more significant training need was in "Actuarial Methods, Standards and Practices". This will be covered, in part, by a

presentation from the Fund actuary during this meeting and could be addressed through additional, more targeted, training.

7.4 All 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 covering all the areas listed in paragraph 5.2 above: https://www.hymans.co.uk/services/lgps-online-learning-academy/

7.5 The confirmation of a specific training budget allows more flexibility on how training can be delivered. A budget of £50,000 representing just under £2,400 per Committee and Board member is proposed, with any expenditure subject to discussion and agreement with Chair and Vice Chair as well as appropriate use of procurement processes and procedures.

7.6 The Head of Pensions Governance and Investments will develop a training plan in consultation with the Chair and Vice Chair, and will look to gain insight and support from Border to Coast Partner Funds (and the company itself) where possible, to understand what training approaches and methods have been most successful at other LGPS funds.

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