



PENSIONS COMMITTEE

2 November 2020

REPORT TITLE:	NATIONAL KNOWLEDGE ASSESSMENT
REPORT OF:	DIRECTOR OF PENSIONS

REPORT SUMMARY

The National Knowledge Assessment's key goal is to provide LGPS funds with an insight to the pensions specific knowledge and understanding of those holding decision making and oversight responsibility within their organisations.

This report contains exempt information. This by virtue of paragraph(s) 3 of Part 1 of Schedule 12A of the Local Government Act 1972, i.e. information relating to the financial or business affairs of any person, including the authority holding that information.

RECOMMENDATION

That Members note the report and work with officers to identify and undertake training and development opportunities appropriate to their needs.

SUPPORTING INFORMATION

1.0 REASON/S FOR RECOMMENDATION

- 1.1 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.

2.0 OTHER OPTIONS CONSIDERED

- 2.1 The Fund assessment could have been commissioned from another organisation but the NKA was LGPS specific and provided benchmarking which would not have been available from could have declined to participate in the assessment. Alternatively, a training needs' other sources.

3.0 BACKGROUND INFORMATION

- 3.1 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 141. Additionally, the Ministry of Housing, Communities and Local Government ("MHCLG") in England & Wales and the Scheme Advisory Board 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. The requirement for strong governance has led to vigorous scrutiny by The Pension Regulator and the current SAB review of governance.
- 3.2 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.
- 3.3 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.
- 3.4 By participating in the assessment, the Fund can demonstrate that it is taking steps to enhance the knowledge and understanding of those involved in governance and the process will assist in the provision of appropriate training and development. A summary of the national findings was issued by Hymans Robertson

Approach

- 3.5 Members of the Merseyside Pension Fund Committee and Board were invited to complete an online knowledge assessment. In total there were 6 respondents from the Committee and there were 8 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.

- 3.6 The results are shown in the appendix to this report.

4.0 FINANCIAL IMPLICATIONS

- 4.1 The cost of the assessment was £5,000.

5.0 LEGAL IMPLICATIONS

- 5.1 None at this stage.

6.0 RESOURCE IMPLICATIONS: STAFFING, ICT AND ASSETS

- 6.1 Following receipt of the assessment report and an analysis of training needs, suitable training opportunities will be identified and offered to members.

7.0 RELEVANT RISKS

- 7.1 As set out in section 2, there is an increasing focus on the governance of public sector pension funds and Committees and Boards must be able to demonstrate that they are able to exercise their roles effectively. It is essential that the necessary support to assist members' training and development is available.

8.0 ENGAGEMENT/CONSULTATION

- 8.1 Not relevant for this report.

9.0 EQUALITY IMPLICATIONS

- 9.1 MHCLG undertake equality impact assessments with regard to the statutory reform of the LGPS.

10.0 ENVIRONMENT AND CLIMATE IMPLICATIONS

- 10.1 The content and/or recommendations contained within this report are expected to:

Have no impact on emissions of Greenhouse Gases

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APPENDICES

Appendix 1 National Knowledge Assessment

BACKGROUND PAPERS

None

SUBJECT HISTORY (last 3 years)

Council Meeting	Date