

PENSION FUND COMMITTEE – 1 DECEMBER 2023

GOVERNANCE & COMMUNICATIONS REPORT

Report by the Executive Director of Resources & Section 151 Officer

RECOMMENDATION

1. **The Committee is RECOMMENDED to:**
 - i) **Note the results and recommendations of the recent Hyman’s Knowledge Progress Assessment.**
 - ii) **Review and note the latest quarter’s breaches for the Fund.**
 - iii) **Note the communications update regarding the McCloud Disclosure requirements.**

Hyman’s Knowledge Progress Assessment Results

Introduction

2. The 2023 Knowledge Progress Assessment was undertaken by the Pension Fund Committee and Local Pension Board in October 2023. A copy of the draft results is included as an Annex to this report.
3. Pension Fund Committee and Local Pension Board Members face different requirements for gaining and maintaining knowledge and understanding. This reflects that their remit and responsibilities originate from different pieces of legislation. Knowledge requirements falling on Board members are defined statutorily under section 248a of the Public Service Pensions Act 2013 and are personal to each individual. Learning requirements for Committees have been less stringently defined in legislation and currently fall collegiately on Committees as collective bodies rather than on their members as individuals. This though is being reviewed as part of the Good Governance proposals which are currently with the relevant Government Minister awaiting publication.
4. Though their learning obligations under legislation are different, Committee and Board members share significant common ground in terms of the sphere of knowledge and understanding they need to be conversant with. Across the range of Technical Knowledge and Skills Frameworks it has published to date, CIPFA has identified a syllabus of 8 core areas of knowledge under the CIPFA Knowledge and Skills Framework (2021) for LGPS Committee Members and LGPS Officers. These 8 core areas are as follows:

- i) Pensions Legislation and Guidance
 - ii) Pensions Governance
 - iii) Fund Strategy and Actuarial Methods
 - iv) Pensions Administration and Communications
 - v) Pensions Financial Strategy, Management Accounting, Report and Audit Standards
 - vi) Investment Strategy, Asset Allocation, Pooling, Performance and Risk Management
 - vii) Financial Markets and Products
 - viii) Pension Services Procurement, Contract Management and Relationship Management
5. There is a separate technical knowledge and skills framework which is CIPFA Local Pension Boards (2015) with the following 8 core areas:
- i) Pensions Legislation
 - ii) Pensions Governance
 - iii) Pensions Administration
 - iv) Pensions Accounting and Auditing Standards
 - v) Pension Services Procurement and Relationship Management
 - vi) Investment Performance and Risk Management
 - vii) Financial Markets and Product Knowledge
 - viii) Actuarial Methods. Standards and Practices
6. **2023 LGPS Knowledge Progress Assessment Results**
Hymans Robertson have now co-ordinated and produced the results which are contained in the Annex to this report.
7. The assessment consisted of 48 multiple choice questions across 8 key areas:
- i) Committee Role and Pension Legislation
 - ii) Pensions Governance
 - iii) Pensions Administration
 - iv) Pensions Accounting and Audit Standards
 - v) Procurement and Relationship Management
 - vi) Investment Performance and Risk Management
 - vii) Financial Markets and Product Knowledge
 - viii) Actuarial Methods, Standards and Practices
8. The performance of the Board (average overall score of 65.28 %) was stronger than that of the Committee (average overall score of 56.51 %). This is similar to the outcomes in the last two assessments and a reflection of the fact that the Board has longer serving members, as well as the Independent Chair who is the Head of Gloucestershire Pension Fund.
9. The Committee performed most strongly in the areas of Committee Role and Pensions Legislation and Pensions Governance.
10. The areas of strongest knowledge for the Board were Investment Performance and Risk Management and Procurement and Relationship Management.

11. The scores in areas where members of Committee and Board received training in response to the National Knowledge Assessment in 2022 (Pensions Accounting and Audit Standards; Investment Performance and Risk Management) showed a marked improvement from last year:

| Knowledge Progress Assessment 2023 | | |
|---|---|---|
| | Committee | Board |
| Pensions Accounting and Audit Standards | 47.92% (up 20.92% on last year) | 55.56% (up 13.56% on last year) |
| Investment Performance and Risk Management | 60.42% (up 13.42% on last year) | 72.22% (up 22.22% on last year) |

12. As last year, the performance for the Committee and Board diverged the most in the Pensions Administration section, when the Board scored 27.08% higher than the Committee. However, it is also the area where both groups saw the steepest regression from the National Knowledge Assessment in 2022 to this year's assessment. As a result, future training could potentially be focussed on this area to support understanding.
13. In terms of engagement, the results show 80% participation for Committee. This is a direct result of the changing constitution of the Committee and the removal of two of the Academy Sector non-voting members. All current members of the Committee completed the assessment. 100% of the Board also completed the assessment.
14. The training plan for 2024/25 will be based on this assessment and individual Committee and Board member results and will be presented to Committee at the March 2024 meeting.
15. In summary, the assessment demonstrates both excellent levels of knowledge and skills of both the Committee and Board, together with exemplary engagement. Nevertheless, improvements are still necessary in some areas and those will be prioritised in the training plan for the next year.

Breaches for the period July to September 2023

16. There are various legislative and regulatory requirements for Pension Funds regarding breaches which include the Pensions Act 2004, the UK General Data Protection Regulation (UK GDPR) and the Pension Regulator's Code of Practice 14 (CoP).
17. The following table shows the number of breaches in the last quarter – July to September 2023.

Note – The breaches policy has been revised and new improved systems have been implemented for identifying breaches. Consequently, there has been an increase in the number of breaches being identified and reported this quarter.

| 2023/2024 | | | | | |
|--|---------------------|---------------------|---------------------|---------------------|--------------|
| Breach Type | Apr-Jun (Q1) | Jul-Sep (Q2) | Oct-Dec (Q3) | Jan-Mar (Q4) | Total |
| Contribution - CoP | 2 | 17 | | | 19 |
| Data - CoP | 0 | 15 | | | 15 |
| Data - GDPR | 2 | 9 | | | 11 |
| Other - CoP | 0 | 0 | | | 0 |
| Total | 4 | 41 | | | 45 |
| Number escalated | 2 | 1 | | | |
| Number resolved | 4 | 41 | | | |
| Number carried over to next quarter | Nil | Nil | | | |

Data Breaches

- Five of the nine data breaches were letters sent to an incorrect address, opened by the new occupant, and then returned to us. Two of the nine breaches were where information was sent to the incorrect LGPS fund. The final two breaches were where member data had been sent to the incorrect employer. Corrective action was taken in all cases and are now closed.

Code of Practice Breaches

- The new process for contribution monitoring started in August. In the new process a breach is recorded every time a contributions payment or data return is submitted after the 19th of the month following payroll. Previously, breaches were only recorded when late submissions and payments were escalated to the Pension Services Manager or Head of Pensions. In Q2, one case was escalated to a Team Leader. This, and all other Code of Practice breaches are now resolved.
- None of the breaches were materially significant and as such were not reported to either The Pensions Regulator or the Information Commissioner.

Communication of McCloud Disclosure Requirements

- The regulations implementing the McCloud remedy came into force on 1 October 2023. The changes to the LGPS rules in respect of age discrimination constitute a 'material change to basic scheme information' under The Occupational and Personal Pension Schemes (Disclosure of Information) Regulations 2013.
- We are required to give information about the regulation changes to all people whose rights or prospective rights may be affected. This must be done within three months of 1 October 2023. The Communications team is working with the rest of Pension Services to ensure these disclosure requirements are met.

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December 2023