

## **PENSION FUND COMMITTEE – 3 DECEMBER 2021**

### **GOVERNANCE REVIEW**

**Report by the Director of Finance**

#### **RECOMMENDATION**

1. **The Committee is RECOMMENDED to**
  - a) **Agree the date for the special meeting to discuss the 2022/23 Business Plan and Budget;**
  - b) **Note the priority areas already identified at paragraph 6 and agree any additional items they wish to cover at the special meeting;**
  - c) **Note the results of the Knowledge Assessment exercise, and agree the draft training programme included at Annex 2 to this report;**
  - d) **Commit to undertaking the training appropriate to their role.**

#### **Introduction**

2. At its September meeting, this Committee agreed the way forward on the 9 outstanding recommendations from the Independent Governance Review undertaken for the Fund by Hymans Robertson. Two of these required follow up work from the Officers in conjunction with Hymans Robertson, and this report provides the updated position.

#### **Annual Business Planning and Budget Setting Meeting**

3. The September Committee agreed to trial the setting up of a special meeting of the Committee to allow sufficient time for discussion on the Annual Business Plan and Budget for the Fund. Key to this was ensuring that the Committee Members themselves took responsibility for setting the objectives for the year and establishing the measures of success they wanted to see achieved, against which their performance would be assessed.
4. In particular, it is expected that by setting aside a full meeting, the Committee Members will have the opportunity to explore their full range of responsibilities taking into account any new Government legislation and/or guidance, the priorities identified by the Pension Regulator, issues identified from the performance reports considered by the Committee and any local priorities.
5. In preparation for the meeting, Officers have been working with colleagues at Hymans Robertson to put together a full programme of the issues over and above the business as usual activities which could be fed into the 2022/23 Business Plan, and are currently working to identify the resource requirements to deliver these over given timescales. At the special meeting, the Committee will be asked to consider each of these issues to determine which they wish to

include within the 2022/23 Business Plan, and for those to be included, the balance between the resources required to complete the task, and the timescales to achieve completion.

6. The initial issues identified to date include those listed below. Members are invited to identify any further issues they would wish to see considered at the special meeting.
  - a) Implementing the McCloud/Sargeant remedy
  - b) The Pensions Dashboard
  - c) An Employer Management System
  - d) Improving Communications to Scheme Members
  - e) Fund Governance including improved performance reporting and Member Training
  - f) Review of Additional Voluntary Contribution (AVC) provision
  - g) Re-tender of the Pensions Software
  - h) Taking forward the Implementation of the Climate Change Policy
  - i) The 2022 Fund Valuation including review of the Funding Strategy Statement and Strategic Asset Allocation
  
7. It is currently proposed to hold the meeting on either Friday 28 January 2022 or Friday 4 February 2022. The outcome of the meeting would then be developed into the formal Business Plan and Budget to be presented to the March meeting of the Committee for agreement. Members of the Pension Board would be invited to attend the special meeting as observers and then feed any views on the proposed way forward to the March Committee meeting. At this stage it is not clear whether the Pension Board would also need a special meeting to determine any agreed views to be fed into the Committee meeting in March.

### **Knowledge Assessment and Training**

8. Following appointment to the new Committee and recruitment to the vacant positions on the Pension Board, all Members were asked to complete a Knowledge Assessment Exercise run by Hymans Robertson. We were pleased to confirm that 100% of both Committee and Board Members completed the exercise.
  
9. Hymans Robertson have now co-ordinated the results and these are contained in Annex 1 to this report. The results do reflect that number of new members of both the Committee and Board and identify a number of gaps in the skills and knowledge of the Committee and the Board as a whole. The headline scores are 37.92% and 60.42% for the Committee and the Board respectively.
  
10. The exercise consisted of 47 multiple choice questions across 8 key areas, with each question containing the option "I currently have no knowledge relating to this topic" to discourage individuals guessing answers and therefore potentially distorted the results. The 8 areas covered were:
  - a) Committee Role and Pension Legislation
  - b) Pensions Governance

- c) Pensions Administration
- d) Pensions Accounting and Audit Standards
- e) Procurement and Relationship Management
- f) Investment Performance and Risk Management
- g) Financial Markets and Product Knowledge
- h) Actuarial Methods, Standards and Practices

11. The Board outscored the Committee in all 8 areas, reflecting the fact that the Board has a greater percentage of longer serving members, as well as the Independent Chair who is the Head of Pensions at the Gloucestershire Fund.
12. As well as the differences between the scores of the Committee and the Board, there were also significantly different scores between the 8 areas, with the Board scores ranging from 81% down to 38% and the Committee scores ranging from 57% to 27%. There was some consistency though between the ranking of the areas between the Committee and the Board, with both scoring highest on Committee Role, Pensions Legislation and Pensions Governance and both scoring lowest on Pensions Accounting and Audit Standards.
13. In the middle scores there was some differences with the Committee scoring relatively higher on the investment areas compared to the administration and actuarial areas whereas the position was reversed for the Board. Neither group scored highly on Procurement and Relationship Management. These differences reflected the agendas of the two bodies, with limited inclusion on the Board's agenda of investment performance issues.
14. The exercise also allowed individuals to identify those areas where they themselves felt they could benefit most from further training. Interestingly, despite being one of the highest scoring areas, Pensions Governance was identified most frequently as the area where people wanted more training (12 out of 17 respondents). The four areas which were identified on 10 returns were Actuarial Methods and Standards, Best Practice Pensions Administration, McCloud and Section 13.

### **Training Policy and Programme**

15. Members are reminded that under the current Training Policy agreed by the County Council, all members of the Pension Fund Committee are required to undertake either the LGA 3-Day Fundamentals Training Course, or the 9 key modules (5 Core and 4 Defined Benefit modules) of the on-line Trustee Toolkit Training produced by the Pension Regulator. This training should be completed within 1 year of joining the Committee. In addition, all Members are expected to undertake a minimum of 2 days further training each year they serve on the Committee.
16. We are required to report all training completed by Members of the Committee annually as part of the Annual Report and Accounts. We also produce similar information for members of the Pension Board as part of their Annual Report. We are working with Hymans to ensure we hold a comprehensive training record for all Committee and Board members to include all prior year's training

as well as that undertaken within the most recent year and reported in the Annual Report.

17. We will be assessing the effectiveness of the Training programme through asking all members of the Committee and the Board to complete an annual Knowledge Assessment exercise run by Hymans Robertson. We will use the results of these exercises to assess progress in reaching the expected standards of skills and knowledge both of the Committee as a whole and for individual members. Every other year, Hymans Robertson will run the exercise nationally, allowing us to benchmark our performance against Funds elsewhere within the Country.
18. It was agreed at the last meeting that the Training Policy would be updated to include the annual assessment process and include an escalation process to ensure all members were engaging appropriately with the training programme, and displaying sufficient progress in acquiring the skills and knowledge or face removal from the Committee or Board. This reflects the importance the Committee attached to ensuring those charged with managing the Pension Fund for over 65,000 scheme members and comprising over £3bn do have the necessary skills and knowledge to meet their statutory duties. It also mirrors the increased scrutiny of the governance arrangements of all Pension Funds from the Pension Regulator and Scheme Advisory Board.
19. As a consequence of the results of the initial Knowledge Assessment exercise, Officers have reviewed the draft training programme alongside colleagues from Hymans Robertson, and the revised draft programme is included at Annex 2. Key changes include the inclusion of a series of training events link to the Valuation process reflecting the relatively low score for the Committee on this section of the Assessment (28%) and the impending 2022 Valuation process.
20. It should be noted that the training programme is delivered through a number of different media as previously agreed by the Committee. Where appropriate we will arrange attendance at external courses, and/or bring in external speakers to run an Oxfordshire specific session – the programme includes such a session in the first quarter of next year to be delivered by the Fund Actuary on the Valuation process.
21. We also include training material within the monthly Governance Newsletter sent out to all members of the Committee and Board each month (with back copies available on the dedicated Pensions Governance Focal Point Site (log on details sent out by Sally in the last quarter). Both the October and November newsletters contained training pieces written by the Fund Actuary relevant to the Valuation process, with previous articles on subjects including McCloud, the national Cost Management, responsible investment, and governance arrangements. We will also be using the newsletter to flag key decisions coming up for the Committee and highlight appropriate training to complete in advance.
22. Finally, all Members have access to the On-Line Training Academy maintained by Hymans Robertson which has a number of modules which can be used as initial training on a subject or to provide a reminder on topics previous covered.

These modules can be accessed at any time, and on multiple occasions as required.

23. Members should note that all training booked through the Pensions Investment Team and all access to the On-Line Academy is automatically recorded for inclusion in your pension training records. We also record attendance at all pre-committee training and the training sessions run by Brunel. However wherever a member undertakes training through the Pensions Regulator website, or outside the normal arrangements they should send notification through to the Pensions Investment Team so it can be included on their training record.

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