

LGPS

Knowledge Assessment

HYMANS  ROBERTSON



Oxfordshire Pension Fund – Knowledge Progress Assessment

October 2021

Overview

The results of the May 2021 local elections and the recommendations from the recent Fund Governance review saw several changes to the membership of the Oxfordshire Pension Committee and Pension Board. To determine the levels of knowledge and understanding within these groups, an annual knowledge assessment took place over August and September 2021. The purpose of the assessment is to gain an immediate understanding of knowledge and understanding levels of the new Committee (and the Board), with the results feeding into training plans being developed for each group.

The findings from this assessment provides a quantitative report of the current knowledge levels of the individuals responsible for decision making and oversight of the Fund. It also aids the development of more appropriately tailored training plans for both groups. This report is also a key document in evidencing the Fund's commitment to training.

Background

Given the changes to its Pension Committee, the Oxfordshire Pension Fund ("the Fund") opted to use Hymans Robertson online knowledge assessment, to determine a base-line level of knowledge for its new Committee, across a range of topics. It also included the Pension Board in the exercise, providing a complete picture of knowledge and understanding levels across both groups. During the period the assessment was available for completion we received 15 responses. This report provides the participants' results broken down into 8 key areas. Each participant received an individual results report following completion of the assessment.

Why does this matter?

While fund officers may deal with the day-to-day running of the Fund, the members of the Committee and Board play a vital role. In order to exercise their roles effectively Committee and Board members must be able to address all relevant topics including investment matters, issues concerning funding, pension administration and governance.

In recent years there has been a marked increase in the scrutiny of LGPS Funds. 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 Scottish Ministers in Scotland, and their respective Scheme Advisory Boards have emphasised the need for the highest standards of governance in the LGPS. Indeed, for English and Welsh Funds the Good Governance review includes specific recommendations regarding knowledge and understanding and training. All these measures are aimed at ensuring that all involved in the governance of LGPS Funds can evidence they have the requisite knowledge, skills and commitment to carry out their role effectively.

The undertaking of this knowledge assessment by the Pension Committee and Pension Board reflects the Funds commitment to ensuring key decision makers have the required knowledge and understanding to enable them to perform their duties.

¹ Governance and administration of public service pension schemes – issued April 2015



Assessment

Challenging test

The Knowledge Progress Assessment is a challenging multiple-choice assessment of participants' knowledge and understanding of relevant subject areas. There was no expectation that participants would score 100% on each subject area tested. Rather the goal of the exercise was to gain a true insight into members' knowledge in the areas covered by the CIPFA Knowledge and Skills Framework and the Pensions Regulator's (TPR) current Code of Practice 14. It is appreciated that TPR has consulted on a 'combined' Code of Practice amalgamating all existing Codes and bringing its requirements up to date on topical issues such as cyber risk. We have not specifically catered for any additional elements expected to be included within the combined Code as part of this assessment.

The opportunity was also taken to understand those areas where the member had no knowledge of a subject matter, with each question having the option "*I currently have no knowledge relating to this topic*". This ensured the results are not skewed through guesswork on the part of the participant. It also provides a more honest appraisal of knowledge levels across all areas, resulting in greater clarity over training needs, leading to better outcomes for the Fund as well as the Committee and Board members.

Use of results

We would encourage the use of these results to better understand the areas where Committee and Board members feel comfortably informed, but crucially where further training may be of benefit.

In keeping with the theme of increased external scrutiny, it is important not only that the Committee and Board have confidence in their roles, but also that the Fund can demonstrate the steps taken to facilitate this. We would suggest you keep a record of the process used to assist the Committee and Board with training and development. This report should form part of the overall training records for both groups.

Approach

The members of the Fund's Committee and Board were invited to complete an online knowledge assessment. In total there were 10 respondents from the Committee and there were 7 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 up to 6 multiple choice questions to answer. Each question had 5 possible answers, of which one answer was correct. Participants also had the option of selecting the option *“I currently have no knowledge relating to this topic”*.

The responses allow us to build a picture of the knowledge levels of each individual member in each of the topics, but crucially to help inform the Fund of the overall levels of knowledge in each area. The individual responses for Pension Committee and Board members to each of the questions asked have been provided to each member separately.

Results

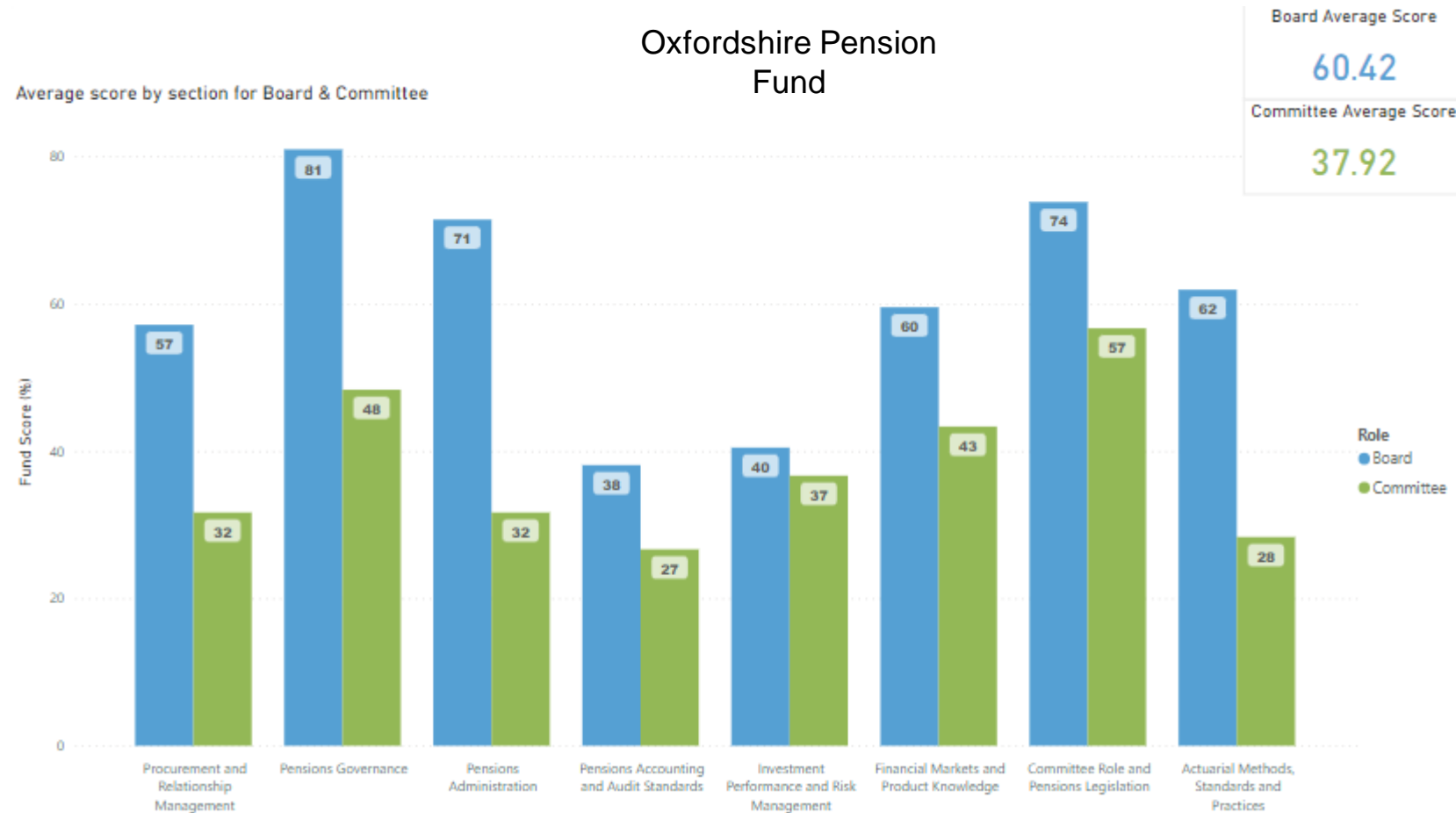
The responses for all members who participated have been collated and analysed. For each section we have shown:

- The average score for each of the 8 subject areas, for both the Committee and Board members;
- Individual scores as a percentage against each of the 8 topics, for both groups;
- The number of correct and incorrect answers to individual questions, per respondent, together with an indication of those areas where respondents indicated they had no knowledge of the subject area; and
- Engagement levels for both the Committee and Board.



Overall Results

For each of the assessment’s 8 areas we have shown the results of both the Committee and Board. These have been shown in the order in which the sections appeared in the survey. There is also a summary showing the average scores across all sections for the Committee and Board.



The above results indicate significant differences in knowledge levels between the Committee and Board in many areas. The Board outscored the Committee in all topics. That said, the average scores for both suggest training is required for both groups.



Performance in each area

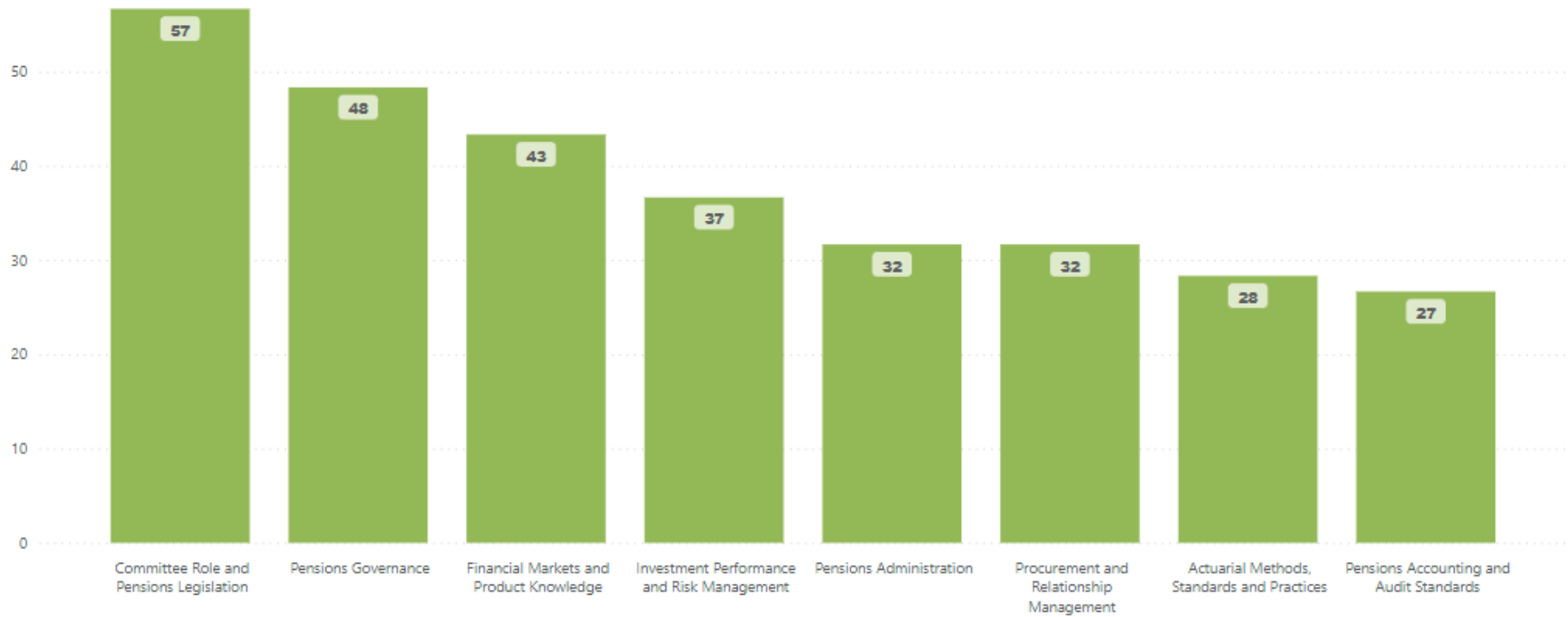
The results can be ranked for each section from the highest score (greatest knowledge) to lowest score (least knowledge). This is shown separately for both the Committee and the Board. The intention is that training plans and/or timetables can be tailored to focus on the areas of least knowledge, whilst ensuring the Committee and Board maintain the high level of knowledge in the stronger areas.

Pension Committee

Oxfordshire Pension Fund

Committee Average Score
37.92

Committee Average Score by Section



The results show the scores for the Committee Role and Pensions Legislation and Pension Governance were significantly higher than other areas. Knowledge across all the remaining areas was below 50%, with four areas scoring 32% or less. These four areas require the greatest attention.

It is highly encouraging that all of the Pension Committee members chose to participate in the assessment.

Actions

- Given the 2022 triennial valuation is approaching, the above scores suggest the highest priority is given to improving awareness of Actuarial Methods, Standards and Practices.
- Consideration should then be given to Pensions Administration, Pensions accounting and Procurement & relationship management.
- In terms of priority the final elements would be Investment Performance and Financial Markets.

Additionally, it is important that steps are taken to maintain overall engagement of the Committee members in undertaking regular assessments, demonstrating they have the knowledge and understanding required to fulfil their roles.

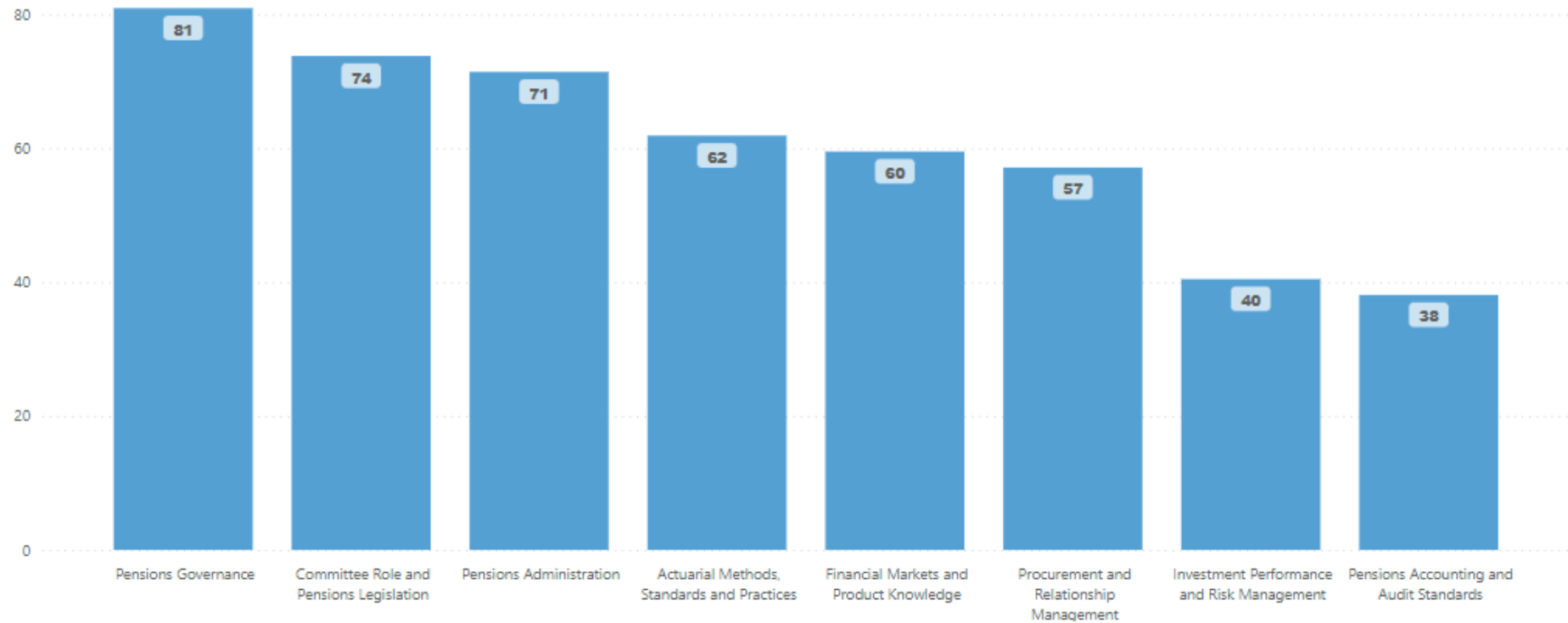


Pension Board

Oxfordshire Pension Fund

Board Average Score
60.42

Board Average Score by Section



The Board has scored best in Pensions Governance, Committee Role and Pensions Legislation and Administration. It has scored low in the areas of Investment Performance and Risk Management and Pensions Accounting and Audit Standards. This suggests a significant weakness in these areas, indicating the Board is not fully equipped to provide the level of informed challenge you might expect to the Committee or Officers in these areas.

Given the 2022 valuation is approaching, Actuarial Methods, Standards & Practices would be a key area to focus on, even though this topic did not receive the lowest overall score for the Board. That said, urgent steps should be taken to address deficiencies in all the other areas covered by the assessment too.



It is again encouraging that all of the Board members participated in the assessment.

While the Pension Board may not have decision making responsibilities in relation to the Fund, it is a requirement of the Public Service Pensions Act that each individual is conversant with the rules of the scheme and has knowledge and understanding of the law relating to pensions and such other matters as may be prescribed.

Actions

- A plan should be drawn up and actioned covering all of the above topics, with a particular focus on the 2 lowest scoring areas of investments and pensions accounting.
- It would make sense to prioritise some other topics in line with training plans and priorities for the Pension Committee, ensuring training mirrors the Fund's business plan priorities and objectives.
- As part of the Funds training plan, members should view the requisite training videos on the LGPS online learning academy

Commentary

Given the fact that the Pension Committee and Pension Board has a number of new members, with limited experience, it is perhaps not surprising that the overall scores were lower than might be desired. We would fully expect there to be gaps in the knowledge of all members, no matter their role on the Committee/Board, their tenure or indeed their background in terms of pensions experience. The most important thing to emphasise is that not everybody needs to be an expert in all areas, rather there should be a spread of knowledge across your Committee and Board which is supported by advice from officers and professional advisors.

Just as important as gaining the relevant knowledge and understanding expected of a Pension Committee or Board is the application of that knowledge and understanding, including the utilisation of an individual's own background and perspective.



Engagement

One of the key areas that we recommend funds focus on is Committee and Board engagement. With the ever-increasing pace of change in the pensions and investments world, member engagement is critical to maintaining strong collective knowledge. There is an expectation that they need to be not only willing, but keen to develop their knowledge and understanding across the raft of topics upon which they will need to make, or ratify, decisions.

Overall engagement

One measure of the engagement of members is their willingness to participate in training. As such, we have used the participation level of this survey to measure the engagement of your Committee and Board members. The table below shows the breakdown of the total number of participants from the Fund, as a proportion of those who could have responded. When we carried out the 2020 National Knowledge assessment the average engagement score was just above 60%. There are many factors that can influence engagement in such assessments, but the Fund's current score suggests work is still required to improve on the overall engagement moving forward.

	Participants	Total Number	Participation rate
Committee	10	10	100%
Board	7	7	100%
Total	17	17	100%

We understand that different Committees function in different ways and have different numbers of members. We therefore draw no conclusions or make any inferences from these results. The information is simply being provided to the Fund officers, as they will be best placed to draw any conclusions.

Commentary on engagement

With every member of the Committee and Board completing the assessment, the results suggest that engagement is very high. It is important, therefore, to maintain this, particularly in the current climate where scheme governance is under greater scrutiny and the Scheme Advisory Board Good Governance recommendations are expected imminently.



Training

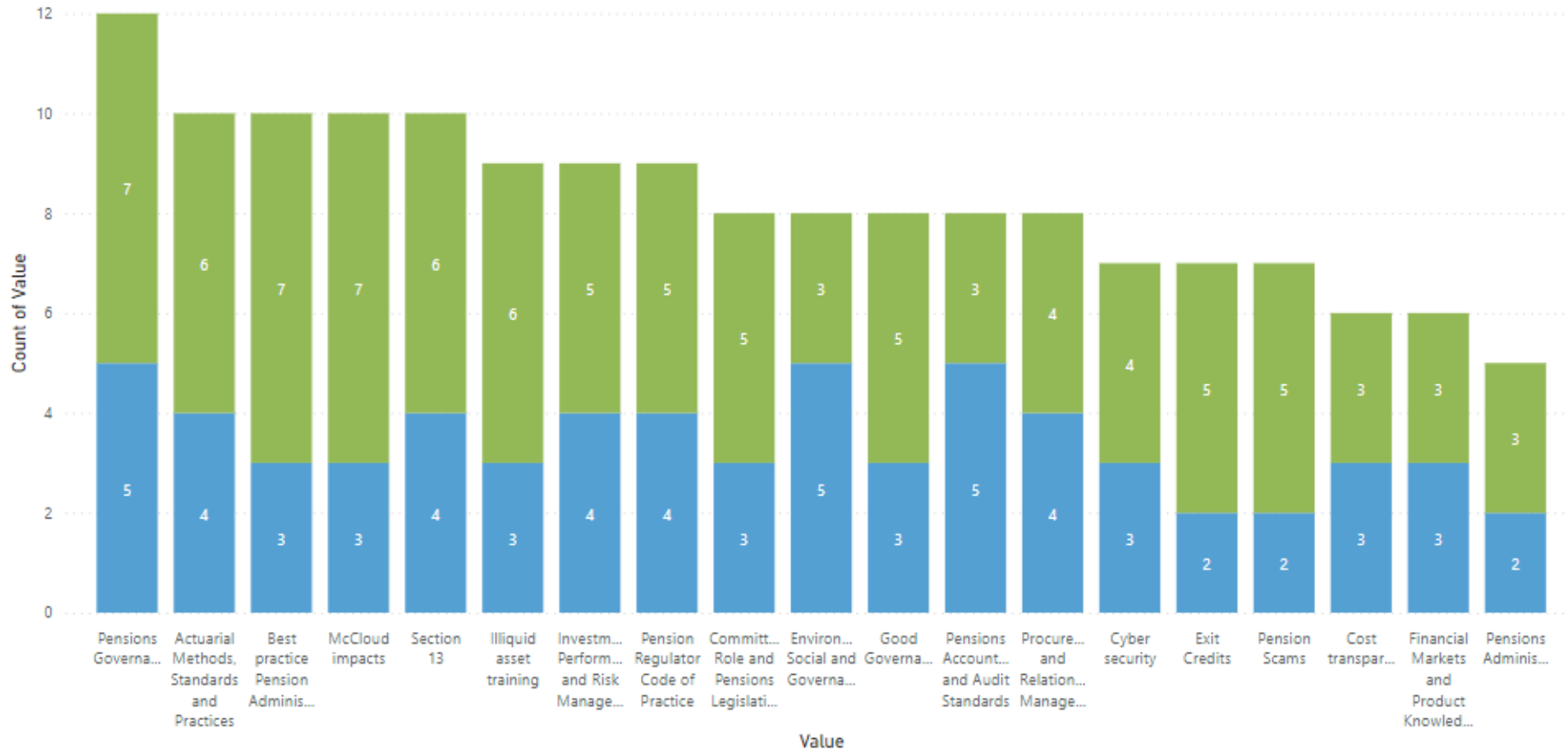
Feedback from participants

One of the final sections of the survey asked participants to indicate which topics they would like to receive training on. There was a list of options available, covering a broad spectrum of the topics we believe are most relevant to allowing Committee and Board members to effectively perform their roles. Members were also given the option to indicate any other areas in which they would benefit from further training.

The table below summarises the areas in which members indicated training would be beneficial.

Training requirements

Role ● Board ● Committee



Training support

Tools such as this online assessment offer different ways for members to take part in training. There might be more options for online training sessions which you could take advantage of. We have noted some training materials and websites below which might help you deliver focussed sessions to your Committee and Board and keep them informed on the most pertinent pension areas.

- CIPFA Knowledge and Skills Framework
- [TPR Public Service Toolkit](#)
- [LGA fundamental training – currently a ‘physical’ attendance course](#)
- [LGA monthly bulletins](#)
- Oxfordshire monthly governance and training bulletin includes training papers for Committee and Board members
- Regular topical updates from Officers – e.g. valuation planning and assumptions, McCloud, etc.

The Fund has committed to using the Hymans Robertson [On-line Learning Academy](#) as part of the delivery of its wider training plan. The platform contains a number of bitesize training videos and short assessments for Committee and Board members across all of the 8 topics covered by this assessment, together with emerging current issues or hot topics. This will provide a strong base from which to deliver more detailed and focussed training as part of the Fund’s wider training plan. Each of the priorities highlighted above are covered by the On-line Learning Academy. Individuals will be able to view the videos and undertake the short assessments in their own time ahead of any more formal training ahead of Committee and Board meetings.



Next Steps

Based on the results we would suggest that there should be consideration to the following next steps:

- This report should be **reviewed** by the fund's officers and results shared with the Committee and Board
- There may be a possible adjustment of the Funds **training plan**.
- Provision of the required **training sessions, videos, and training papers** to be confirmed by the Fund Officers.
- Consider the most **pressing** training requirements over the next 6 to 8 months, to ensure members have the required knowledge – e.g. Actuarial Methods, Standards & Practices
- **Assess** the full range of tools available to the Fund to assist with training, including the On-line Learning Academy, TPR Toolkit, etc.
- Consider ways of **maintaining** and **increasing** the engagement of both the Board and Committee.
- Ensure that the Fund's training strategy is up to date and **appropriate** for purpose

Andrew McKerns

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On behalf of Hymans Robertson LLP



Reliances and Limitations

This report has been prepared for the Oxfordshire Pension Fund.

This report must not be released or otherwise disclosed to any third party except with our prior written consent, in which case it should be released in its entirety.

Hymans Robertson LLP do not accept any liability to any party unless we have expressly accepted such liability in writing.

This report has been prepared by Hymans Robertson LLP, based upon its understanding of legislation and events as at October 2021.

