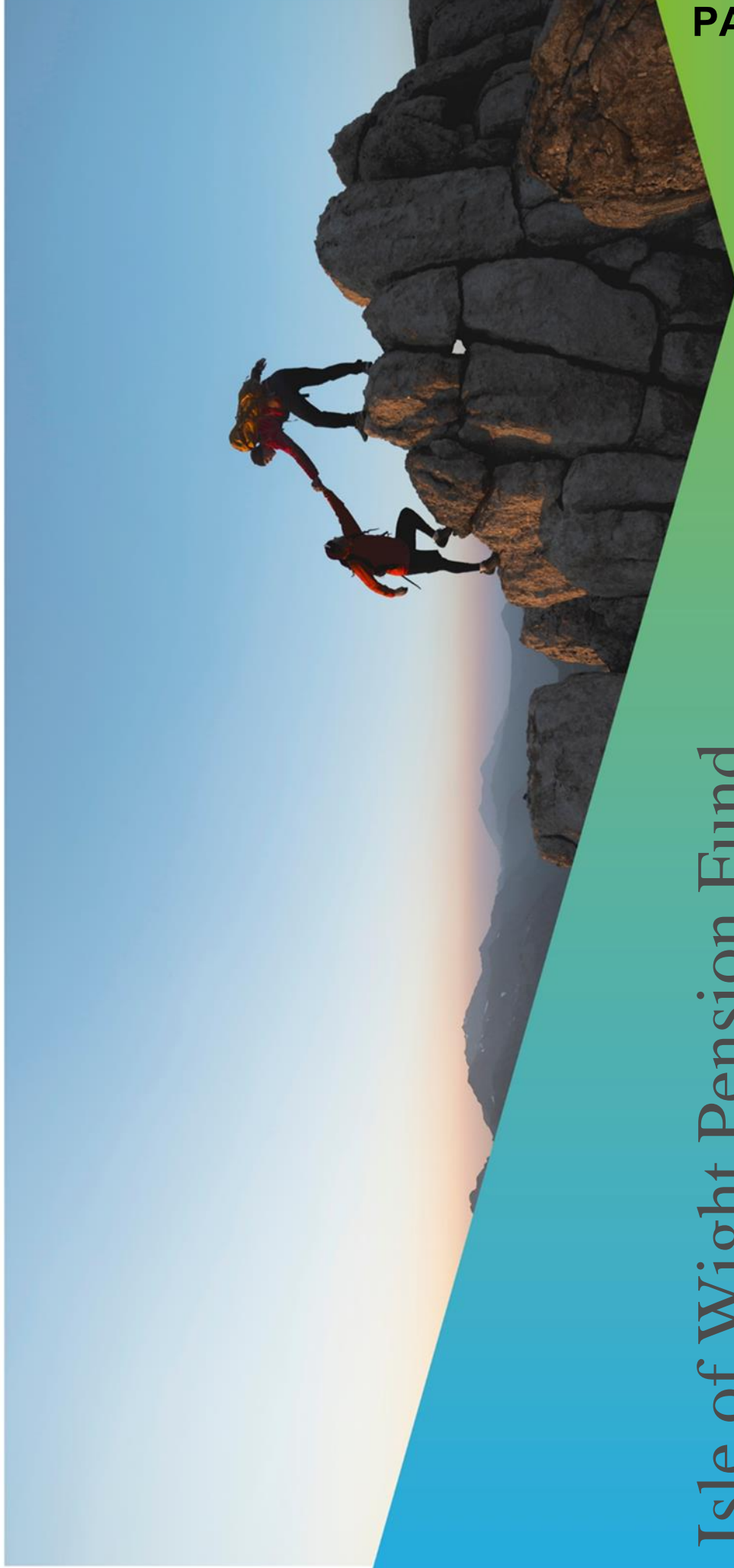


LGPS

National Confidence Assessment

HYMANS  ROBERTSON



Isle of Wight Pension Fund

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National Confidence Assessment

Overview

Hymans Robertson has undertaken an extensive exercise, assessing the confidence levels of those tasked with managing and assisting the 100 Local Government pension funds across the UK.

Over 50 LGPS funds participated in this first ever national assessment of Pension Committee ('Committee') and Local Pension Board ('LPB') members. Using the findings from this assessment LGPS funds will gain a strong insight into the current confidence levels of the individuals responsible for running their fund, which can help in developing more targeted and appropriate training plans for the future.

Background

The Isle of Wight Pension Fund agreed to participate in the National Confidence assessment using our online questionnaire. Based on the responses from this assessment and using this results report, a formal member training plan can be either implemented or supplemented by these findings. The questionnaire is an initial assessment of Committee and LPB members' confidence within 8 key areas such as Governance, Investment Performance and Actuarial Methods.

Why does this matter?

In recent years we have seen a marked increase in the scrutiny being shown to public service pension schemes, including the 100 funds that make up the LGPS across the UK. The Public Service Pensions Act 2013 introduced new governance legislation, not least 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. These new requirements have seen governance gain greater prominence in regular Committee business.

All this is on top of the general oversight of the scheme, by the Ministry of Housing, Communities and Local Government ('MHCLG') in England & Wales and Scottish Ministers in Scotland, and their respective scheme advisory boards.

While fund officers may deal with the day-to-day running of the funds, it is vital that members of the Committee understand that they have ultimate responsibility for making and/or ratifying the most important decisions including investment matters and issues concerning pension administration.

The introduction of MIFID II in January 2018 placed a far greater emphasis on the attained pension knowledge levels required by Committee members when undertaking their statutory role. Consequently, the results of this assessment will indicate how participants gauge their own knowledge levels. We would

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

In keeping with the theme of increased external scrutiny, it is vital not only that the Committee and LPB 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 LPB with training and development. This report could form part of the overall member training records.

Approach

The members of the Isle of Wight Pension Fund Committee and LPB were invited to complete an online survey. In total there were 3 respondents from the Committee and there were 2 respondents from the LPB.

Each respondent was given the same set of 29 questions on the 8 areas below:

1	Committee Role and Pensions Legislation
2	Pensions Governance
3	Pensions Administration
4	Pensions Accounting and Audit Standards
5	Procurement and Relationship Management
6	Investment Performance and Risk Management
7	Financial Markets and Product Knowledge
8	Actuarial Methods, Standards and Practices

Members could rate their confidence by answering “not confident”, “slightly confident”, “mostly confident” or “completely confident”.

The responses have been collated and analysed. For each of the 8 sections we have calculated the proportion of responses which were “mostly” or “completely” confident.

Results

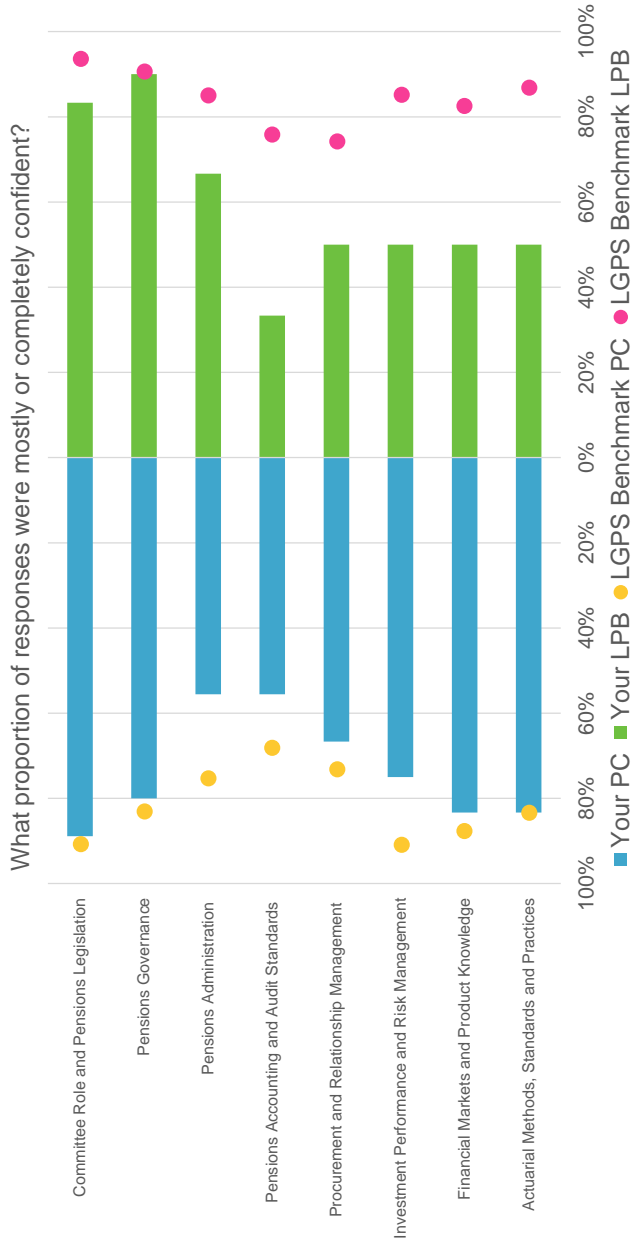
The results are displayed under 2 headings in this section – ‘overall results’ and ‘individual results’. The ‘overall results’ shows the responses by category, and how these compare with the benchmark results from all respondents across the LGPS. Details of how the individual members responded is shown under the ‘individual results’ section (colour coding from Red ‘not confident’ to Green ‘completely confident’).

Overall Results

For each of the 8 areas we have shown the proportion of responses which were ‘mostly’ or ‘completely’ confident. This lets you see how the Committee and LPB levels of confidence vary by subject area, allowing you to pinpoint specific areas for development where fewer members have indicated they are confident. Current training plans and timetables should be reviewed and possibly adjusted based on these results.

Reading the overall results spreadsheet

The Committee (PC) scores are to the **left** of the central axis, with the LPB scores to the **right**. For both groups, the chart also dots the average National confidence score based on the responses from all participating funds.



Benchmarking

As this confidence assessment is being conducted at national level across a number of LGPS funds we are able to provide details of how your Fund's results compare to those across the average of all funds who have taken part to date.

Commentary on Isle of Wight Pension Fund results

We are mindful that the Fund's recent priorities may have an impact on their results i.e. if more recent time has been devoted to investment decisions, then you may expect members to be more confident in this area. Consequently, these results may be impacted from this 'timing' effect. Overall from the responses received there appears a strong understanding of the Committee's role and Legislation for the Committee and Pensions Governance for the LPB.

It is evident from the results of the assessment that the Committee's area of least confidence concerns Pensions Administration. The responses to questions in this section were lower than the national average. The area of least confidence for the LPB was Pensions Accounting.

Comparison - National results

The **Committee** are generally slightly less in line when compared with the national picture. The areas the Committee felt least confident were:

- Pensions Accounting and Audit Standards
- Pensions Administration
- Procurement and Relationship Management

Typically the areas of least national confidence for LGPS Committees surveyed were also Pensions Accounting and Audit Standards, Procurement and Relationship Management, and Pensions Administration.

The results from the **LPB** are generally less in line when compared with the national picture. The areas the LPB felt least confident were:

- Pensions Accounting
- Procurement and Relationship Management

Typically the areas of least national confidence for LGPS LPB surveyed were Procurement and Relationship Management, Pensions Accounting and Audit Standards, and Financial Markets and Product Knowledge.

Question	Pensions Committee			Local Pensions Board			Board Average
	Member 1	Member 2	Member 3	Committee Average	Member 1	Member 2	
1a I understand my role and obligations under the LGPS Regulations and Committee's/Board's own terms of reference	3	3	4	3.3	3	4	3.5
1b I understand the role of the Chair, Chief Finance Officer and Monitoring Officer in the running of the Scheme	3	3	4	3.3	2	3	2.5
1c I understand the main features of the Regulations applicable to the Local Government Pension Scheme	2	3	3	2.7	3	3	3.0
2a I am clear what the objectives are for the Fund	4	3	3	3.3	4	3	3.5
2b I understand the role of the administering authority in relation to the LGPS	4	3	4	3.7	3	3	3.0
2c I am aware of the Scheme Advisory Board and understand its role and interaction with other bodies in relation to the governance of the LGPS	3	3	2	2.7	3	3	3.0
2d I understand the roles and powers of MHCLG, the Pensions Regulator and the Pensions Ombudsman as they relate to the working of the scheme	3	2	2	2.3	3	3	3.0
2e I understand the Funds approach to risk management and how risk is monitored and managed	3	4	3	3.3	1	3	2.0
3a I understand the statutory record keeping requirements and the Funds policy in relation to member data, contribution collection and scheme communication	2	3	3	2.7	3	3	3.0
3b I have an appreciation of the Funds administration strategy and how this is delivered (inc. where appropriate the use of third parties and their performance)	3	3	3	3.0	2	3	2.5
3c I understand the Pensions Regulator's measures of good administration practice set out in its Code of Practice 14	2	2	2	2.0	3	2	2.5
4a I understand the role of the elected member in the preparation of pension fund accounts	3	3	2	2.7	1	3	2.0
4b I understand the difference between the different types of valuations that are carried out e.g. the triennial funding valuation, IAS19/FRS102 accounting valuations and the Government Actuary's valuation (Section 13)	3	1	2	2.0	1	2	1.5
4c I have a general understanding of the Accounts and Audit Regulations and the regulatory requirements for sound internal controls and proper accounting practice	3	3	2	2.7	2	3	2.5
5a I understand the effect pooling will have on the procurement process and the changed relationship between the committee and those that manage its assets	4	2	3	3.0	1	4	2.5
5b I understand the role of procurement frameworks in procuring services	3	3	3	3.0	3	3	3.0
5c I have a clear sense of how I will assess the Fund's providers (managers, Pool, advisors etc).	3	2	2	2.3	2	2	2.0
6a I understand the Fund's investment objectives	4	2	3	3.0	1	4	2.5
6b The Fund's investment beliefs are reflected in the underlying investment strategy	4	2	3	3.0	1	4	2.5
6c I understand the Fund's net cashflow position and how this might change over time	4	3	3	3.3	2	3	2.5
6d I am aware of Environmental, Social and Governance risks and the Fund's approach to managing these risks	4	2	3	3.0	1	3	2.0
7a I have a good understanding of the financial markets and investment vehicles available to the Fund	3	3	3	3.0	1	3	2.0
7b I understand the risk and return characteristics of the main asset classes	3	3	3	3.0	2	3	2.5
7c I understand why the Committee would decide to further diversify the Fund and how it would do this	4	2	3	3.0	2	1	1.5
7d I understand the difference between active and passive management and the pros/cons associated with each	4	2	3	3.0	3	3	3.0
8a I understand the role of the Fund actuary	4	4	3	3.7	2	4	3.0
8b I have a good understanding of the formal valuation process	4	4	3	3.7	2	4	3.0
8c I understand the broad principles of the Funding Strategy Statement	3	2	3	2.7	2	3	2.5
8d I broadly understand the implications of including new employers into the Fund and the importance of the employer covenant	4	2	3	3.0	2	4	3.0

Next Steps

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

- Set up a structured training plan for the next 12 months covering the main areas highlighted in this report
- TPR has recently published a module on the subject of Advisors and Service Providers. This could be used as the basis of a training session for Committee and Board members.
- Review of the presentation of pension accounting and audit reports to both groups.
- Committee / LPB to be asked for their thoughts on Administration and how they would prefer administration information presented to them
- Conduct a knowledge assessment covering the 8 topics. This will assess the knowledge levels of both groups against the same 8 topics

We are happy to run training sessions, and/or provide training materials covering any of the topics covered in this report. The value of a face-to-face session for this type of training lies in members being able to ask relevant questions and interrogate the trainer on the specific areas they want to develop knowledge in. We are also able to conduct the knowledge assessment for both groups, reviewing the member's knowledge against their confidence.

We will be producing a national report discussing and analysing the results at the national level. A copy of this will be made available to the Fund when the report is complete.

If you wish to discuss the contents of this report further, please get in touch with myself, Peter Riedel or Peter Summers

Prepared by Hymans Robertson LLP.



Ian Colvin

Head of LGPS Benefits and Governance Consultancy

Reliances and Limitations

This report has been prepared for the Isle of Wight 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 August 2018.