

Report To: LOCAL PENSION BOARD

Date: 15 November 2018

Reporting Officer: Sandra Stewart - Director of Pensions
Euan Miller – Assistant Director of Pensions (Funding and Business Development)

Subject : **HYMANS ROBERTSON'S LGPS CONFIDENCE ASSESSMENT**

Report Summary: Hymans Robertson, who are actuary to GMPF and many other LGPS funds have approached members of LGPS Pension Committees and Local Pension Boards around the country to gauge the confidence levels they have in their own knowledge and understanding of the LGPS.
The purpose of this report is to provide the GMPF Local Board with an update on the results of Hymans Robertson's LGPS confidence assessment.

Recommendation(s): That the Board note the information provided in the report and consider areas where further training may be beneficial.

**Financial Implications:
(Authorised by the Section 151 Officer)** There are no financial implications to consider.

**Legal Implications:
(Authorised by the Solicitor to the Fund)** The responsibilities of local boards in the LGPS are set out in the Local Government Pension Scheme (Amendment) (Governance) Regulations 2015.
The 2015 Governance Regulations require employer and member representatives to have the "capacity" to represent employers and members respectively. Board members are also required to acquire appropriate "knowledge and understanding" of pension matters, under the Pensions Act 2004.

Risk Management: The purpose of the Local Board is to oversee compliance type activities and to support effective and efficient governance of the Fund. Thus its role is likely to focus on mitigating risks.

ACCESS TO INFORMATION: **NON-CONFIDENTIAL**
This report does not contain information that warrants its consideration in the absence of the Press or members of the public.

Background Papers:

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1. INTRODUCTION

- 1.1 The purpose of this report is to provide the Local Pension Board with an update on the outcome of Hymans Robertson's LGPS confidence assessment report which has recently been published.
- 1.2 Hymans approached members of LGPS Pension Committees (such as GMPF's Management Panel) and Local Pension Boards around the country to gauge the confidence levels they have in their own knowledge and understanding of the LGPS.
- 1.3 Whilst response levels were not high, for those that responded to the survey, the figures show that confidence levels are relatively high in both Committees and Local Pension Boards with the weakest area of knowledge, pensions accounting and audit standards, still achieving a 71% confidence rating from respondents. The weakest area in GMPF was procurement and relationship management which scored 57%.
- 1.4 Attached as **Appendix 1** is Hymans' summary of the national results of the survey. Attached as **Appendix 2** is a summary of the GMPF Results.

2. METHOD

- 2.1 Hymans based their assessment and questions on the 8 headline requirements of CIPFA's Knowledge and Skills framework, supplemented by the Pensions Regulator's ('TPR') Code of Practice 14 and recent issues (e.g. investment pooling). Respondents were asked to assess their confidence on each of the 29 questions set out in the survey ranging from not confident through to completely confident.
- 2.2 Technical and specific questions were presented to respondents on each of the topics being assessed. Respondents then considered how confident they felt on each area.
- 2.3 Measuring confidence has its drawbacks, primarily that people can overestimate their knowledge and confidence in a particular area. It should be noted that actual knowledge and abilities might vary considerably from the strong confidence shown by a majority of Hymans' respondents.

3. FINDINGS - LGPS

- 3.1 The results show that across the LGPS as a whole Committee and Board members feel confident in their knowledge and understanding with 83% of all the responses being either 'mostly' or 'completely' confident in aggregate.
- 3.2 Hymans highlight that in the survey, respondents were noticeably more confident on topics that have traditionally been given more time on Committee agendas than other topics to which Committees may not have had the same level of exposure in the past.
- 3.3 The two greatest areas of weakness amongst Local Pension Board members, according to the report, are pensions accounting and audit standards with a confidence score of 75%, followed by procurement and relationship management with a confidence score of 76%.
- 3.4 Local Pension Boards had higher confidence ratings than Committees in most areas; with the exception of investment performance and risk management, and financial markets and product knowledge.
- 3.5 Hymans recognises that due to the statutory knowledge requirements placed on Board members, they have more pressure to understand all areas of the LGPS leading to better

understanding and more confidence. Likewise, Board members are being set up with a wider agenda than Committees to ensure they have the requisite knowledge to fulfil their function.

4. FINDINGS – GMPF

- 4.1 Members of GMPF's Management Panel and Local Board were invited to complete an online survey. In total there were 8 respondents from the Management Panel and there were 7 respondents from the Board.
- 4.2 GMPF's scores show that the Management Panel is more confident overall than the Local Board which conflicts with the national findings. Although this is based on a relatively small sample size for the Management Panel.
- 4.3 Both the Board and Management Panel were above the national average in their confidence of pensions administration and financial markets. The Board were least confident in procurement and relationship management, and pensions accountancy and audit standards.

5. NEXT STEPS

- 5.1 The survey results can be used as a reference for training requirements with procurement and relationship management and pensions accountancy and audit standards appearing to be appropriate areas for further training for GMPF Board members.

6. RECOMMENDATIONS

- 6.1 As set out at the front of the report.