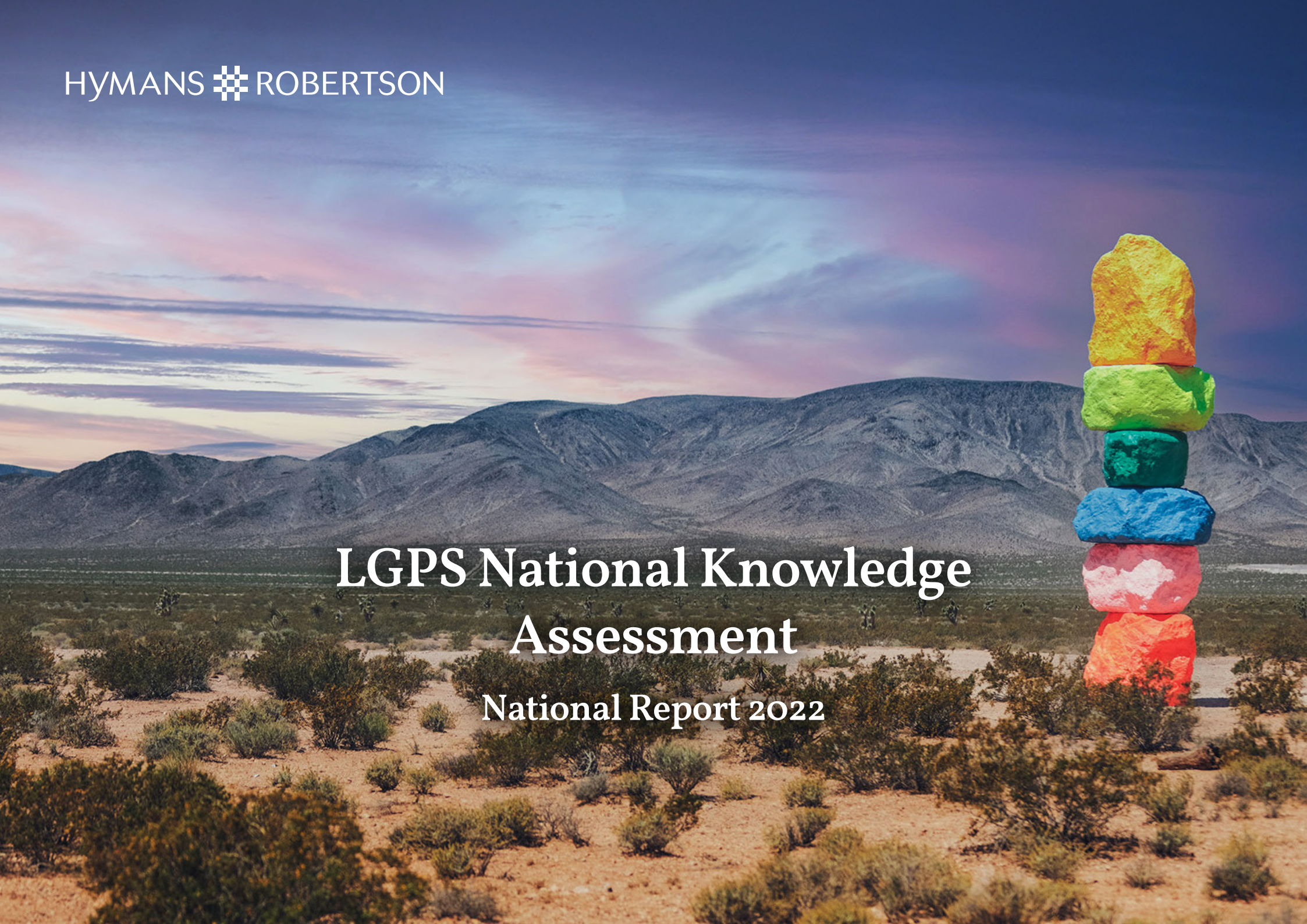




LGPS National Knowledge Assessment

National Report 2022



Executive Summary



We're delighted to share the results from the 2022 National Knowledge Assessment (NKA). Informed decision making and informed scrutiny remain the key functions of Pensions Committees and Boards in the LGPS. To perform their role effectively, Committee and Board members must be suitably informed and knowledgeable in the key areas within which decisions are taken and details scrutinised.

This is the second national assessment we've conducted and follows on from the **2020 assessment**. The goal of the assessment remains unchanged – to provide insight into the level of knowledge and skills of LGPS Committee and Pension Board members. Analysis is provided on an individual, group collective, local fund and national level to all LGPS funds.

Against the backdrop of The Pensions Regulator's (TPR) upcoming single Code of Practice, the England and Wales Scheme Advisory Board's (SAB) Good Governance recommendations, and increased expectations for good service delivery from members and employers, the governance landscape in the LGPS continues to change at pace. In the past few years, it has become increasingly important to be able to demonstrate that decision makers have the collective knowledge to fulfil their roles and responsibilities effectively. The key aim is to ensure the successful delivery of one of the most important benefits to local government workers – their pension.



Our key findings from the 2022 assessment

- **Increased knowledge in Governance and Administration** – the levels of knowledge in the ‘traditional’ Committee and Pension Board topics of Investment and Financial markets have reduced. Sections where we have previously seen lower knowledge levels, such as Administration, Governance and Actuarial methods, standards and practices have seen an improvement. However, many participating funds are at the beginning of their Pension Committee cycle which is likely to have impacted the current group knowledge level.
- **Engagement is improving** – we measure engagement by looking at the number of assessments completed against the number of Committee and Board members who had access to the assessment. Overall engagement for the 2022 assessment was 73% compared to 61% from the 2020 assessment.
- **The right people have their hands on the wheel** – encouragingly, knowledge levels of the Chairs are notably higher in most areas than those of other Committee and Pension Board members.
- **Knowledge spread** – analysis indicates that even where a Committee or Board has a low average score, there are still individuals who have sufficient knowledge levels in each area. Collective knowledge at LGPS funds is good and demonstrates robustness within current governance arrangements.

What should funds do next?

1. Ensure they have assessed the current knowledge levels of their Committee and Pension Board.
2. Use the results to identify weaker areas of knowledge and formulate a detailed, tailored training plan, utilising a variety of training delivery methods.
3. Ensure that these plans are monitored and tracked and record all Committee and Pension Board training.

We hope you find this report insightful. If you would like to discuss any of our findings further, please don't hesitate to contact us.



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2022 highlights

16 

funds participated

200+ 

assessments completed

48 

questions across

8

topics

73% 

Engagement levels

(up by **12%** on 2020)

Excellent 
score for chairs

55%

Average score

Top scoring section 
Governance



Thoughts from The Pensions Regulator

Nick Gannon
Policy Delivery Lead

TPR was given the responsibility of regulating public service schemes, including the LGPS, from 2015. In the time since our awareness of the challenges facing the various schemes has grown significantly.

Our code of practice for public service schemes, soon to be replaced with an updated code, sets our expectations for the standards of governance that we expect from public service schemes. Our expectations of the LGPS are no different, but those implementing them may face additional local challenges. This is perhaps why we have paid more attention to LGPS funds, most obviously in our programme of deep dives in 2019.

We recognise that every LGPS fund is different, and there are a variety of equally valid approaches to governance used across them. It is important that all parties involved in governance are aligned, and the various individuals, boards, and committees should seek to collaborate, not compete. Regular contact between those involved in scheme governance and operations is helpful. An open dialogue outside of formal meetings can help to share knowledge, and improve both governance and administration.

Turnover of those with governance responsibilities is a significant issue for any pension scheme. This is especially true of the LGPS. Electoral cycles and changing committee membership can lead to the unexpected departure of key members of the governing body. Good succession planning and clearly recorded processes help mitigate this risk.

Scheme managers should be aware of the risks from turnover and plan accordingly. A key part of this is ensuring that training needs are assessed, and that training is delivered and then clearly recorded. This is especially true at appointment, and perhaps before appointment, for new Board and Committee members so that they are swiftly able to fully contribute to the governance of the scheme. It is also an important feature of being able to identify the risk of, and then mitigate, the loss of key individuals.

Pension scheme governance is challenging and requires more than just a knowledge of pensions. However, such knowledge provides the basis through which to assess the policies, procedures and operations of a scheme and, ultimately, how well it is run.

“The National Knowledge Assessment provided West Yorkshire Pension Fund with a strong indication of knowledge levels and allowed us to accurately tailor our training plans. I believe it’s important to carry out this type of assessment to ensure our Fund is on track with its training goals.”

Yunus Gajra
West Yorkshire Pension Fund

Introduction

As always, local elections have led to some significant changes in membership of Pension Committees, making induction training for new members a key focus for many funds. It’s essential that new Committee (and Board) members are quickly introduced to their LGPS roles and responsibilities and can become effective decision makers and scrutinisers of their LGPS Fund.

While many Committees have seen continuity through the retention of some members, any change in membership inevitably leads to a loss in knowledge. However, these membership changes also present an opportunity to provide fresh insight and experience to the Fund. New members to LGPS Committees and Boards may well bring knowledge and experience from other fields, which is beneficial to their funds.

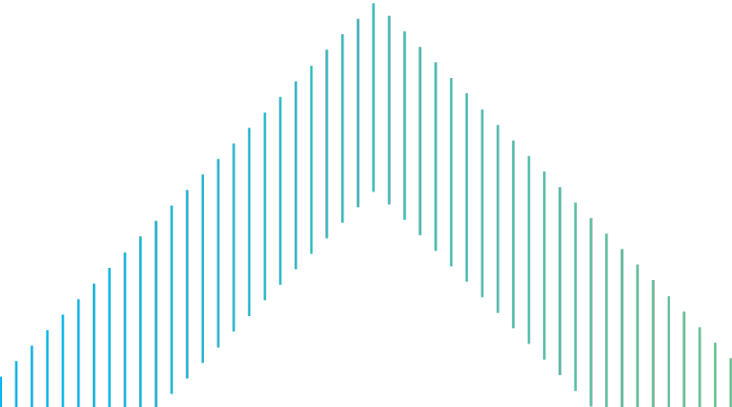
It’s within this context of change – both in membership and the LGPS landscape as a whole – that our second National Knowledge Assessment has been conducted.

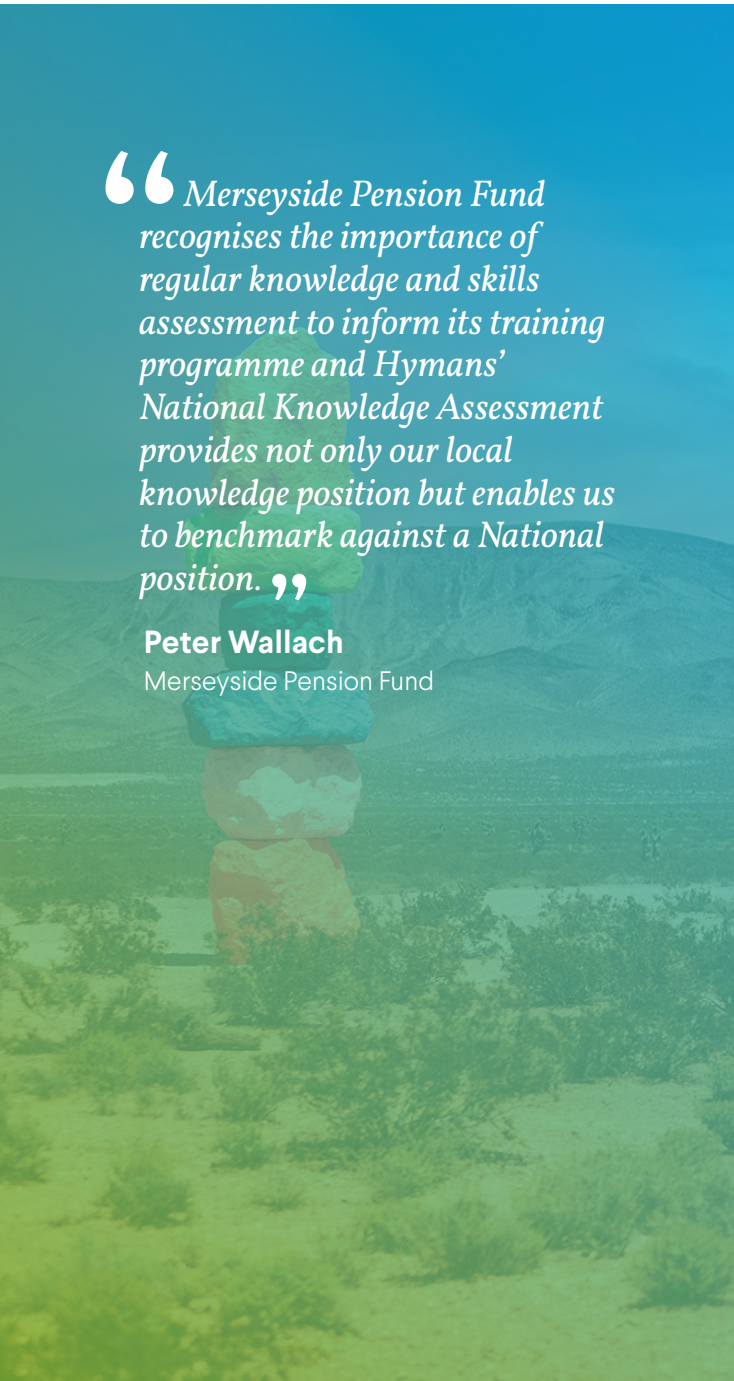
Participation

Having assessed over 200 members participating across 16 LGPS funds, the NKA provides a clear indication and insight of national knowledge levels for the decision makers within the LGPS.

The breakdown on participants as at November 2022 is shown below.

	Chair	Member	Total
Committee	10	112	122
Board	16	72	88





“ Merseyside Pension Fund recognises the importance of regular knowledge and skills assessment to inform its training programme and Hymans’ National Knowledge Assessment provides not only our local knowledge position but enables us to benchmark against a National position. **”**

Peter Wallach
Merseyside Pension Fund

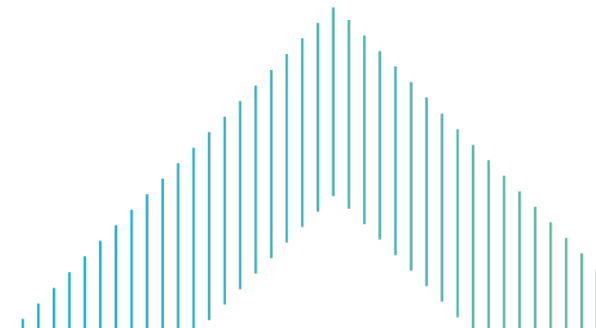
Merseyside Pension Fund

As part of the assessment, we provided participating funds with a benchmark position on the level of engagement from both their Committee and Pension Board. This is a crucial insight for funds as a strong set of results based only on the knowledge performance of a small number of participants would not tell the full story. Understanding your engagement levels in comparison to your peers helps to round that insight.

This assessment was taken in participants own time. We're delighted that over 70% of those eligible to respond chose to do so.

In recent years, several events have seen a marked increase in the scrutiny of public service pension schemes. The below are the 'roots' of the National Knowledge Assessment:

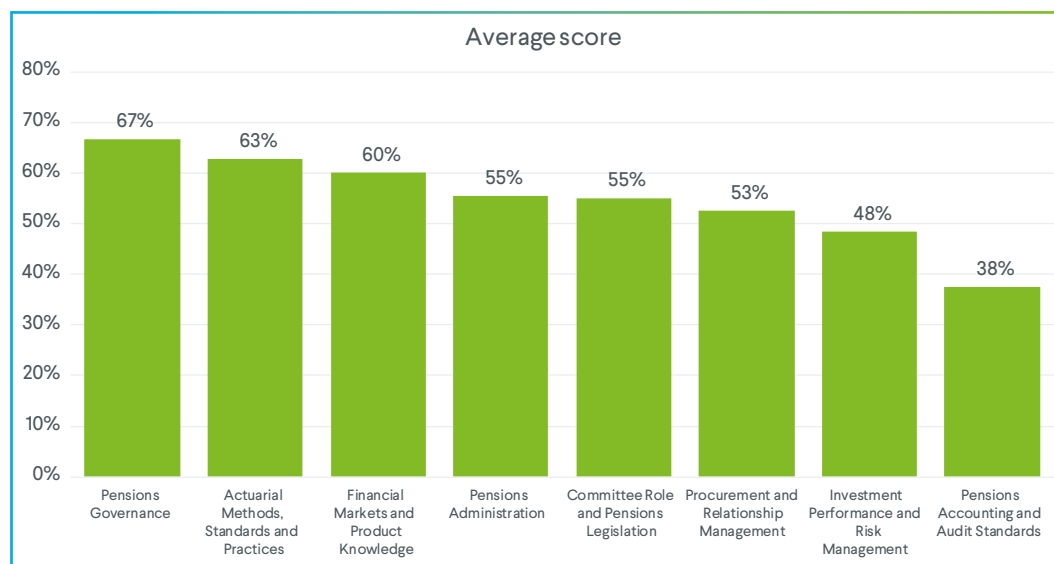
- These recent events have reaffirmed why LGPS funds need to evidence the training provided and current knowledge and understanding levels retained within their Committee and Board.



The results

An overview

The overall results from the 16 participating funds are shown below. The chart shows the average number of correct answers in each section across all respondents. Each section consists of 6 multiple choice questions.



From these results it's very encouraging to see that Governance was the highest scoring section. There has been increased emphasis on governance in the LGPS recently. With the Good Governance consultation expected in early 2023, many English and Welsh funds have been reviewing their governance arrangements, and building awareness of these issues within their Committee, Board and Officer groups. It's pleasing to see that these efforts have built a strong knowledge foundation in governance-related issues.

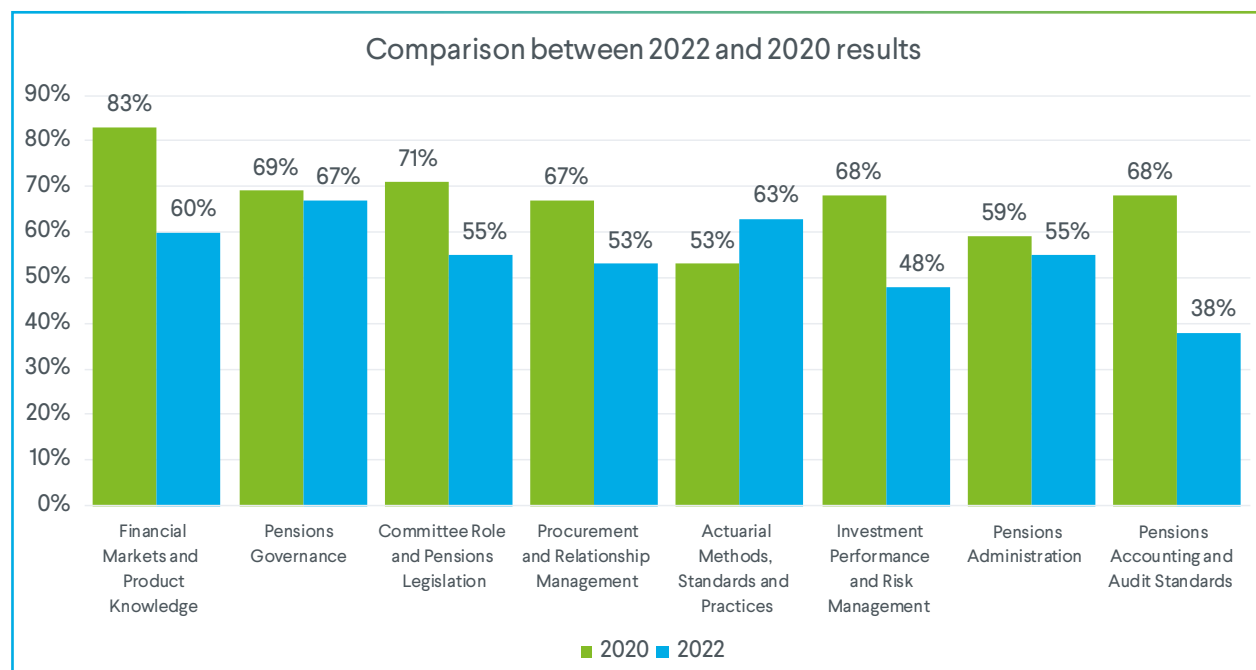
It's surprising that Actuarial Methods has scored so well this time, as it was the lowest scoring section in the 2020 Assessment. With the actuarial valuation in progress for English and Welsh funds, the increased awareness and focus on actuarial matters during Committee and Board meetings, knowledge levels in this area have clearly been developed.

The scores in pensions accounting were notably lower than those in all other areas but this has been a challenging training area for many funds. The section on investment performance also saw low scores. This is historically an area to which most time was devoted during meetings, particularly for the Committee.

Progress vs 2020 Assessment scores (average scores)

We now have the benefit of the data gathered from the last National Assessment and have compared that information with the 2022 results.

The results show that there is a reduction in scores across all sections, apart from actuarial methods, where the scores have increased. The most marked reductions in knowledge levels are in the areas of Financial Markets & Product Knowledge, Investment Performance & Risk Management and Pensions Accounting & Audit Standards.

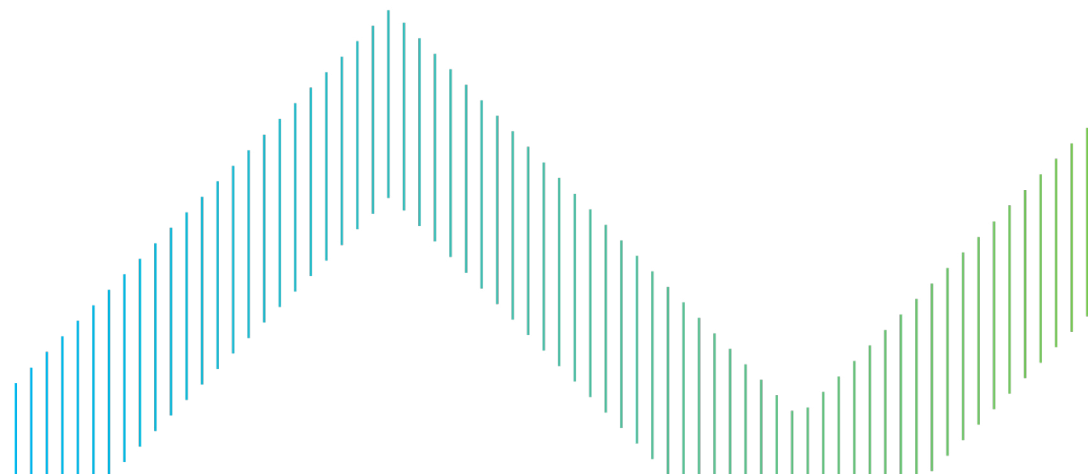




Possible factors for the reduction in knowledge

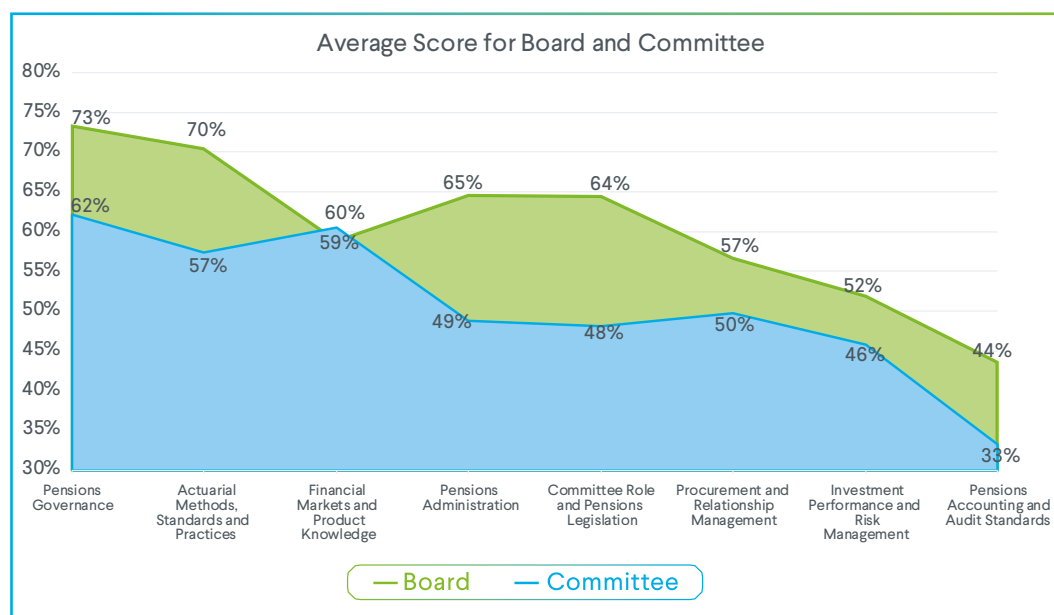
It should be noted that these results are not an absolute comparison. There are several factors which have changed between the two assessment dates, including:

- The 2020 assessment took place near the end of the Committee cycle for most LGPS funds. The assumption being that these members had received more training sessions and meeting packs to increase their knowledge levels. However, the 2022 assessment has taken place at the start of the Committee cycle for most LGPS funds and therefore, we have many newer members with notably less LGPS experience.
- The participating funds are slightly different, although the overall number is similar.
- The members of Committee and Boards have changed, so a different population of members have been assessed.
- All questions have been updated, although kept at a similar difficulty level.
- The option of answering “I have no knowledge in this area” was added in the 2022 assessment, which was not present in the 2020 assessment. Some allowance is needed for correctly ‘guessed’ answers in the 2020 assessment results.



Board vs Committee

To analyse the results in more detail, we've also split the responses between the Committee and the Board. The comparison between the Committee and Board scores is shown below.



At a national level, Board members outperformed Committee members in all areas, except in Financial Markets and Product Knowledge, where scores were similar. This indicates that knowledge levels are strong within Pension Boards, with only one section scoring less than 50%. The Boards' scores are very encouraging given the statutory requirement to attain a certain level of knowledge to perform their role.

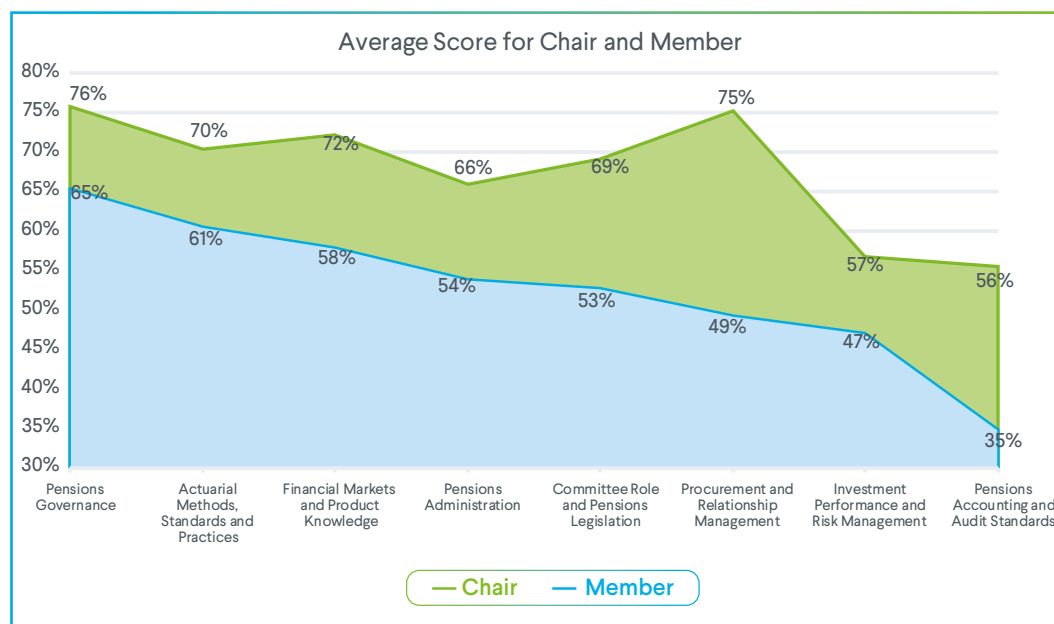
Conversely, for Committees, there were five out of the eight topics assessed where the score was 50% or less. While there is not yet the same statutory requirement for Committee knowledge levels, this does indicate there is work to do to increase knowledge levels for Committee members across a range of topics.

The biggest differences in knowledge were in the areas of Pensions Administration, and the role of the Committee and Pensions Legislation.

There was not the same disparity between the Committee and Board results in the 2020 assessment, where there was no clear outperformance of either group.

Chairs vs Members

We also looked in detail at the scores between the Chairs of the Committees and Boards, versus the rest of the membership.



There is a clear pattern of outperformance by the Chairs in all sections of the assessment. There is not one section where the average score for the Chair is less than 50%. Indeed, the lowest scoring section still achieved an average score of 56%. This is consistent with the findings of the 2020 Assessment.

This would be expected given the role of the Chair and that these individuals will be the more experienced members of the group, often bringing external, relevant experience to the role. Part of the role of the Chair is to help drive standards and focus discussions, and the demonstration of higher knowledge levels is an important requirement.

These results are very welcome and indicate that LGPS Committee and Board Chairs have a good broad knowledge of all topic areas assessed.



“ We were really pleased that Hymans Robertson decided to repeat its National Knowledge Assessment – it is a really excellent, practical addition to our training and assessment tools to support our Pension Committee and Pension Board.”

Jo Quarterman
Norfolk Pension Fund

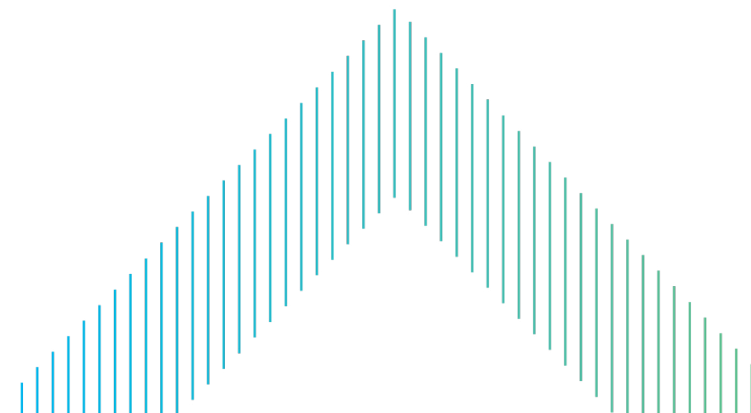
Spread of 'collective' knowledge vs Chairs

TPR and SAB continually advise that members of Committees and Boards are not expected to be subject matter experts but should have the knowledge to question and seek assurance. Pension Board members are expected to have an individual level of knowledge and understanding sufficient to carry out their roles, however, this does not preclude the idea that within Committees and Boards the absolute level of knowledge of individuals may vary.

Within Committees and Boards, it is reasonable to consider **collective** knowledge of all relevant areas, demonstrating the strength within the group. It's too simplistic just to say that the average score in a particular section is the only indicator of knowledge levels of the Board and Committee. What also matters is the **spread of knowledge** within the groups of members. If there are two or three well-informed individuals in a particular subject area, then they can guide the group, and use their expertise to focus discussion and ask the pertinent questions.

This is particularly true of funds with low average scores. While the average score for a particular section might be low, there are still one or two knowledgeable members within the group that can lead and support the other members to attain a higher level of understanding.

With this in mind, we have further analysed a selection of participant funds and examined their top scores within each section. We have also analysed how this is spread throughout the Committee/Board.



Analysis

We looked at this in two ways:

- The number of respondents who correctly answered a minimum of five out of six questions in at least one of the eight sections.
- The number of people who featured as one of the top three scorers in any section.

Looking at these statistics provides an indication of the spread of knowledge within the groups.

Those who scored at least 5 out of 6

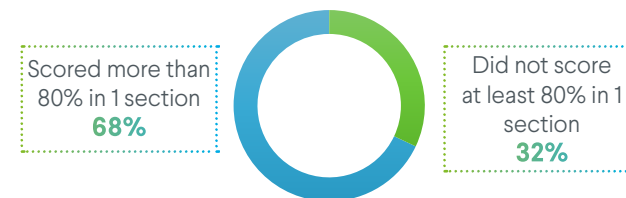
We measured those funds who answered at least five out of the six questions in a section correctly, giving them a score of at least 80% in that section.

Of the funds analysed:

- On average, two thirds of respondents got at least five out of six questions correct in any of the eight sections assessed – scoring at least 80%.
- When the analysis is extended, around half of respondents in each Fund scored at least 80% in two sections or more.

This indicates that many respondents scored highly across multiple sections, meaning that there is a good spread of knowledge.

Scored more than 80% in at least 1 section



Scored more than 80% in at least 2 sections

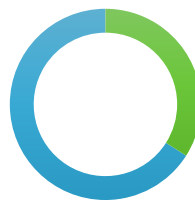


Those who featured in top three

Similarly, on average, two thirds of respondents were in the top three scorers for at least one section. In many cases, the same people were in the top three scorers across multiple sections. Conversely, one third of participants did not feature in the top three results of any section.

Top 3 scorer for Fund in a section

Proportion who feature in top 3 scorers in 1 section or more
66%



Proportion who are not a top 3 scorer in any section
34%

This indicates a good spread of knowledge throughout Committees and Boards, but that there are individuals where the knowledge levels could be improved across the spectrum of topics covered. A spread of knowledge is to be welcomed but there is a risk if too much reliance is placed on a small number of individuals.

In conclusion, this analysis showed:

- There are some well-informed members across all sections.
- For some funds, there are two or three well-informed members for each section, with the “experts” varying depending on the section.

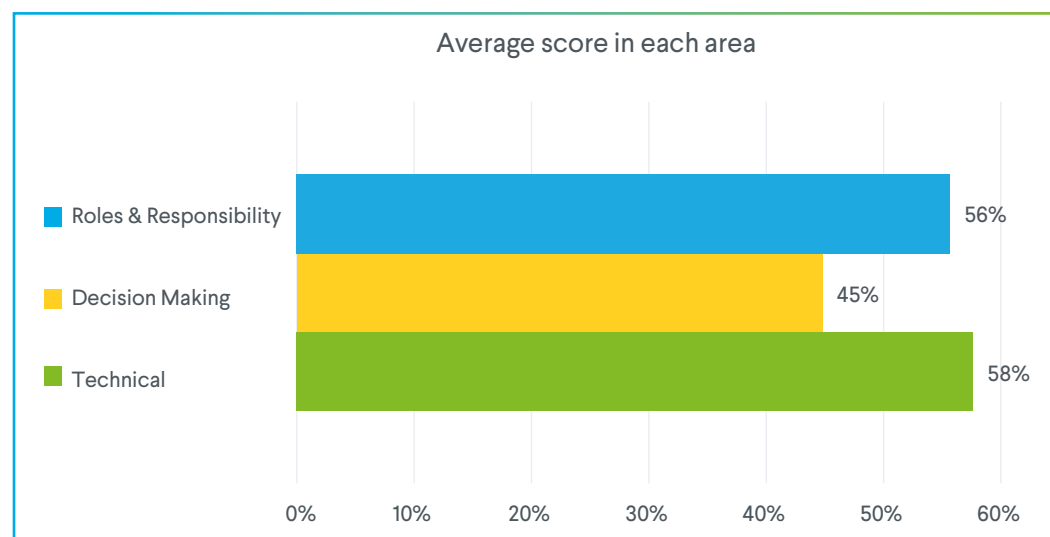
Technical, Roles and Responsibility and Decision Making

Question Categories

In order to gain further insight into the Committee and Board knowledge and understanding, the questions posed in the assessment covered three distinct areas. These were:

- Technical – 66% of questions
- Decision making – 17% of questions
- Roles and responsibilities – 17% of questions

The purpose of this was to drill deeper into the collective understanding of these categories, and to provide further analysis on which areas to target when creating training plans. At a national level the average correct score for each of these sections was:



These results indicate that information relating to decision making at LGPS funds should be a consideration for Officers when developing training plans.



Engagement

The strongest measure of good governance at LGPS funds relates to training and assessment engagement levels. Regardless of tenure, experience or current knowledge levels, the landscape, regulations and requirements of the LGPS changes so quickly (and often) that developing and enhancing knowledge and skills is a continual part of the role.

An engaged Committee and Board will be much more likely to keep up to date with recent developments and key issues. It's also more likely to be well-informed having done the necessary background reading and participating actively in training sessions.

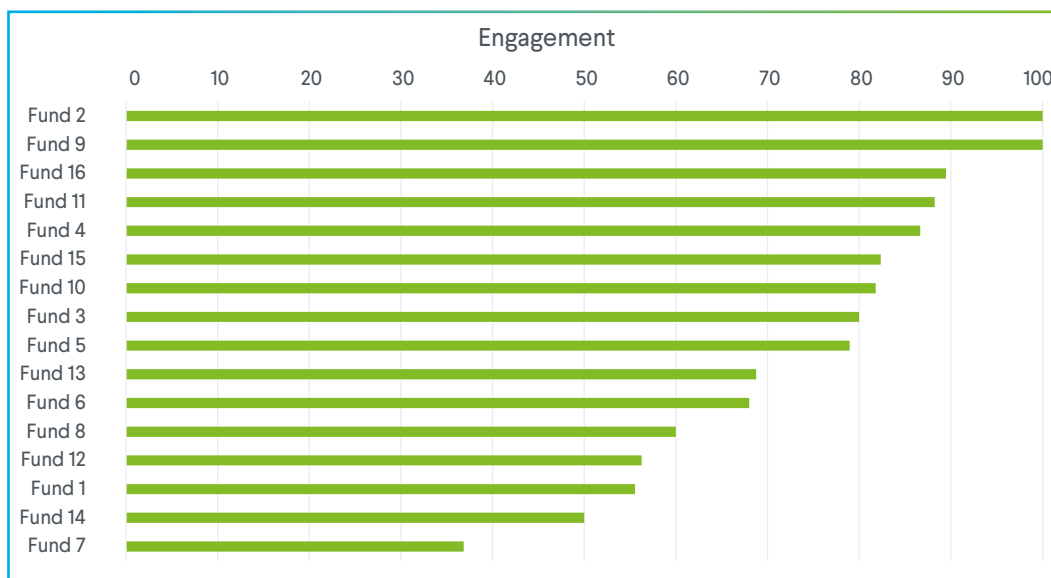
Overall engagement

As a measure of engagement, we looked at the number of respondents, as a proportion of those who were invited to participate, from each Fund. At a national level, the participation rate was over 70%, which is excellent. This is a marked improvement from the 2020 engagement levels as demonstrated below.

	Overall	Board	Committee
2022 participation rate	73%	77%	71%
2020 participation rate	61%	67%	58%

Fund specific engagement levels

It's also hugely encouraging that for half of the funds who took part, at least 80% of members eligible to participate, did so. There is, however, significant variance in engagement levels between individual funds, with the lower scores being a concern. With a sample of 16 funds, we feel these results are indicative of the spread of engagement across the whole LGPS.



Improving engagement levels

There are many ways in which funds can help promote engagement. Some suggestions would be:

Training plans tailored to needs

Having a targeted training plan for individuals or the different groups will help them feel that the training is relevant and avoid using valuable training time to go over familiar ground.

Vary training delivery

There is absolutely a place for face-to-face sessions. These should always allow time for questions to be asked and clarification of information as required. We recommend that this is balanced with easily accessible on-demand learning, which allows members to access training at a time that is convenient for them.

Keep training interactive

Experience and feedback we have gathered suggests that short, concise sessions are most beneficial. Shorter, regular sessions are of more benefit than long, intermittent sessions. Follow up knowledge checks are a good way of measuring the effectiveness of sessions.

Provide options

People learn and absorb information in different ways. This should be acknowledged when planning and delivering sessions. There should be variation in the

Insight into the questions

Highest scoring questions

We have picked out the top 3 questions in terms of correct answers from participants:

7.1 Volatility is a measure of

- The value of collateral calls on a derivative contract over 1 year
- The greatest fall in the value of an investment over time
- The level of staff turnover in a portfolio management team
- **The level of fluctuation in the investment returns of an asset over time in normal circumstances**
- I currently have no knowledge relating to this topic

8.1 Formal actuarial valuations of individual LGPS funds must be carried out every

- 2 years
- **3 years**
- 4 years
- 5 years
- I currently have no knowledge relating to this topic

2.6 Breaches of the law should be recorded by the Fund:

- When it is likely to be of material significance to The Pensions Regulator
- When there is a financial loss to the Fund
- When it is likely to lead to legal action
- **On all occasions even if not likely to be of material significance to The Pensions Regulator**
- I currently have no knowledge relating to this topic

These 3 questions with most correct answers were spread over 3 different topics. In each case they were answered correctly by **more than 80% of respondents**

Lowest scoring questions

Similarly, we have picked out the 3 questions which were answered most poorly overall:

4.3 Who decides on the assumptions used to prepare an organisation's pension accounts?

- The fund actuary
- The pension fund
- **Scheme employer**
- The auditor
- I currently have no knowledge relating to this topic

1.6 Which of the following is not an appropriate way for an administering authority to discharge its LGPS decision making responsibilities?

- Delegate all responsibilities to a Pension Committee / Panel
- **Delegate investment responsibilities to a Committee / Panel and administration and governance responsibilities to the Local Pension Board**
- Delegate overall responsibility to a Pension Committee / Panel and specific investment matters to a sub-committee
- Delegate all responsibilities to officers who are advised by an advisory committee
- I currently have no knowledge relating to this topic

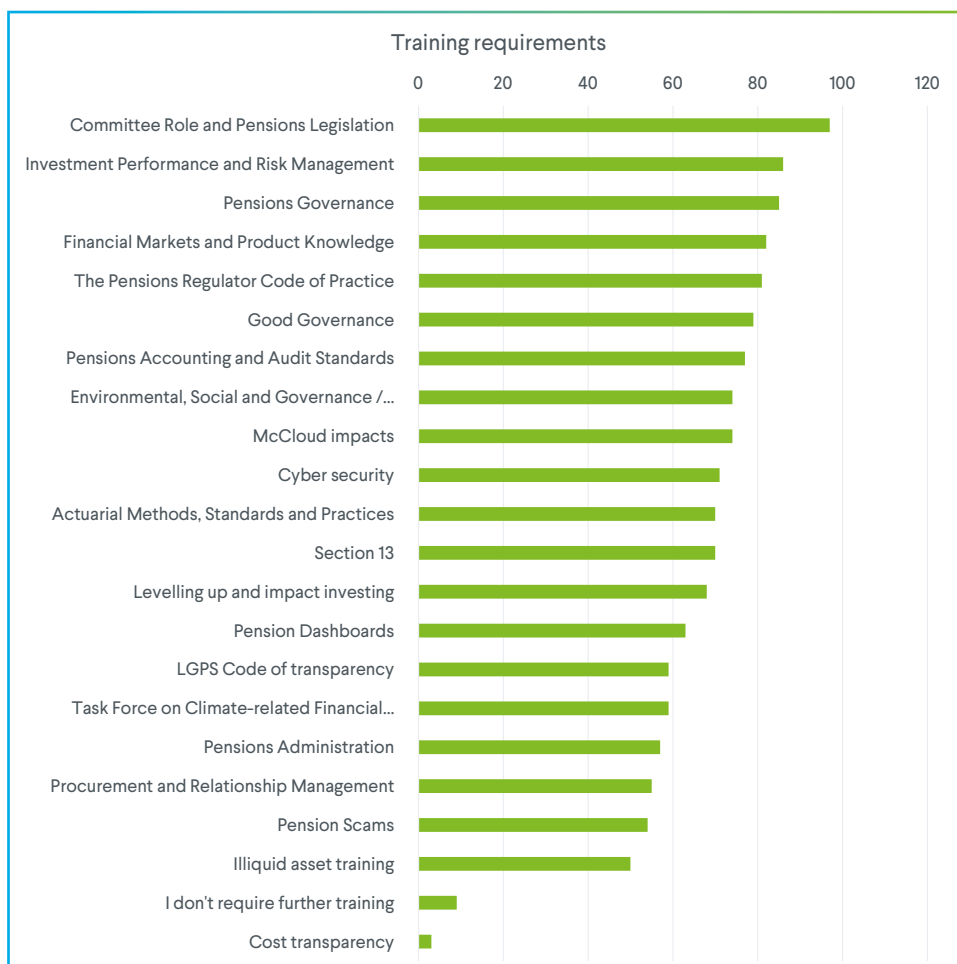
5.4 The Markets in Financial Instruments Directive (MiFID II) automatically assumes LGPS funds are "retail investors" which strictly limits the types of products funds can invest in. In order for your Fund to have access to a much broader range of investment products, _____ are required to test whether the Committee / Panel have the expertise, experience and knowledge to make investment decisions and understand the risks involved.

- Pension fund officers
- Fund actuaries
- Council procurement officers
- **Asset managers**
- I currently have no knowledge relating to this topic

These 3 questions were answered correctly by less than 25% of respondents.

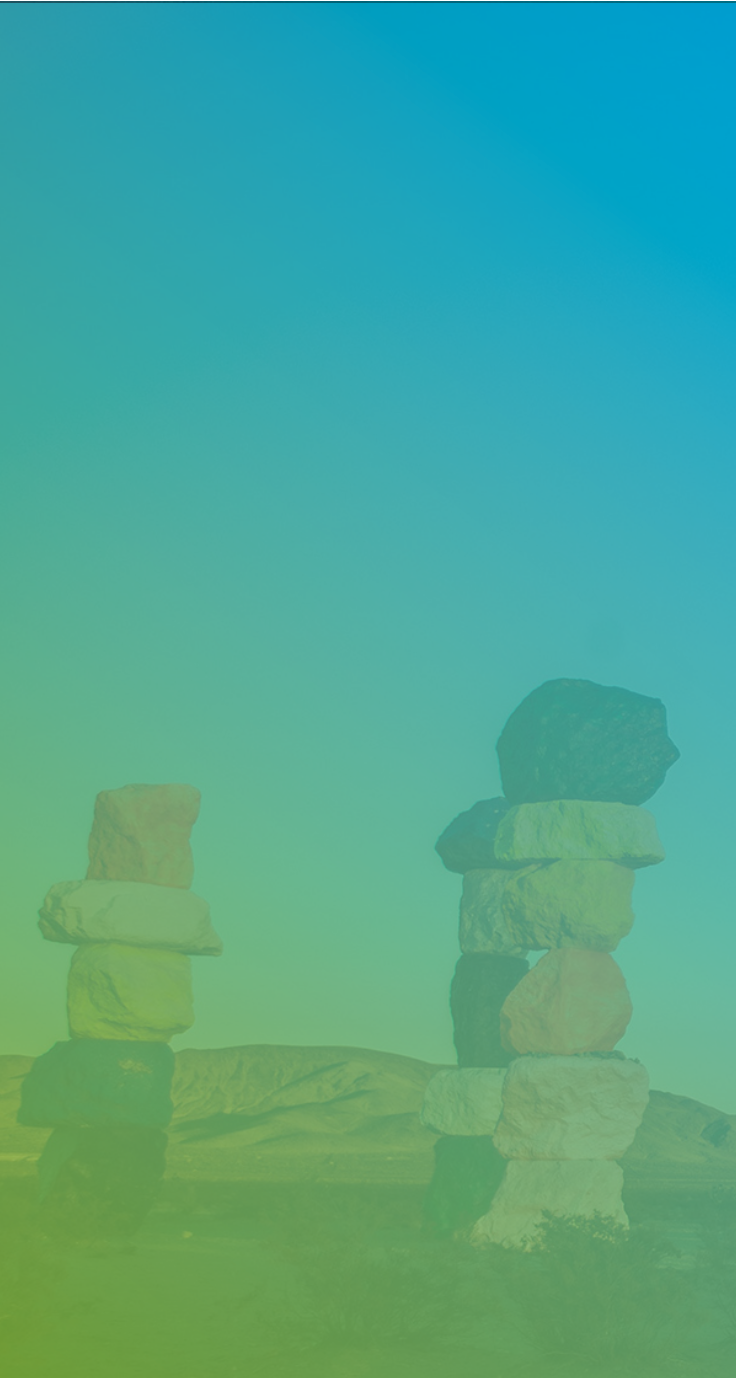
Training feedback from participants

Another tool available to funds to encourage and improve engagement, is responding to specific feedback or training requests. As part of the NKA, we requested that participants indicate the subject areas in which they would most value training.



It is perhaps surprising that the topic 'Committee Role and Pension Legislation' is the most requested topic, given the majority of respondents are Committee members, and that this was generally one of the higher scoring sections. This information possibly points to some uncertainty about certain aspects of the role and current pension legislation.

Governance and the specific topic 'Good Governance' also feature near the top, reflecting the strong emphasis of this area from TPR and Scheme Advisory Boards. Similarly, Cyber security is an area of increasing focus and one which further training and support is required.



Training support

Tools such as this online assessment offer different ways for members to take part in training. 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](#)
- [LGA monthly bulletins](#)
- [LGPS Online Learning Academy](#)

LGPS Online Learning Academy

Released in June 2021, the LGPS Online Learning Academy (LOLA) is already used by over 35 LGPS funds. Providing funds with a platform that allows the retention of all training data, tracking skills and engagement levels and on demand video services (with regular 'hot topic' videos).

Our upcoming platform improvements will see the LOLA topic areas mirror the 8 topic areas of the NKA, with applicable jargon busters and knowledge checks for each area.

The benefits of going online:

- Short and engaging 10 - 20 minute videos with extra learning materials
- Members can go at their own pace
- Regular reporting to funds on progress of their members
- Funds can easily evidence their members' knowledge and skills
- Limits the need for officers to create training material
- More cost effective than delivering training in person
- New members can instantly benefit from training or repeating sessions without going through a full cycle of meetings



Conclusion

This second National Knowledge Assessment has provided a marker for LGPS funds to measure where they are now, how their position has developed since the last National Knowledge Assessment, and how they can measure progress.

While we work towards improving individual Committee and Board members knowledge and skills, results show that as a collective, both groups have the necessary skills to perform their duties. Improvement in engagement is very encouraging and indicates the seriousness with which key stakeholders view their training and assessment requirements. While there are many insights that funds can take from their results, having strong engagement numbers is pivotal for their future training plans. Being top of that table is a big win!

We would recommend that funds take the following action:

- ① Ensure that they have detailed, and targeted training plans in place, and that attendance at training and development sessions is recorded and monitored for each individual member in the training log.
- ② Assess the tools available to support with training delivery.
- ③ Consider ways of maintaining and increasing the engagement of both the Board and Committee. This could include providing them with more information, training materials, briefing notes, newsletters etc.
- ④ Ensure that the Fund's training strategy is up to date and appropriate for purpose.

We thank the initial 16 funds and the Committee and Board members who participated in this assessment and look forward to assisting in the development of their training plans.



Appendix - Methodology

Participants were invited to complete the same set of 48 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

The questions posed were split into 3 categories:

- Technical questions
- Roles and responsibilities
- Decision making

Technical questions made up around two thirds of the questions. The remaining questions were split between the categories of Roles and Responsibilities as well as Decision Making. This helps to provide more in-depth analysis of the results and provides further context to the proposed training plans.

The National Knowledge Assessment is a challenging multiple-choice assessment of participants' knowledge and understanding of key pension areas. There was no expectation that participants would score 100% on each subject area tested. The goal 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) Code of Practice, and crucially to help inform you of the overall levels of knowledge in each area.

The subject areas exactly mirror those that were used in the National Knowledge Assessment in 2020. This allows a comparison to be made between both assessments and for results to be benchmarked against the 2020 NKA.