

# Scheme Advisory Board

## HYBRID MEETING – 22 JULY 2024

### ITEM 8 – PAPER C

#### UPDATE OF THE BOARD RISK REGISTER

##### General

1. The Scheme Advisory Board has a risk register which is reviewed periodically. The latest version is at **Annex A**. There are no significant changes in the risk profile from the last time this was reviewed by the Board in December 2023. However, the Secretariat have considered two of the risks and mitigations previously discussed.

##### Risk 13 – Board Members’ Knowledge and Understanding

2. The Board has previously discussed how we can assess the Board’s capacity to discharge its functions and demonstrate that it possesses the necessary knowledge and understanding. The Secretariat is confident that Board members do have the necessary knowledge and understanding but agreed to consider whether there was a need to create a policy on this, which would set out the expectations of individual members and the Board collectively.
3. Having such a policy would enable the Board to be fully transparent about its requirements and document the assessment/benchmarking against that policy. It might also be helpful to guide those bodies which can nominate Board members as to who would be an appropriate candidate.
4. While the functions of the Board are very different from those either of an administering authority’s pension committee or Local Pension Board, it is felt that existing guidance on knowledge and understanding requirements for pension committees or boards (as well as the Pension Regulator’s (TPR) General Code’s expectations of “governing bodies”) would be helpful as starting (or comparison) points for the Board’s own assessment.
5. At **Annex B** are some collated relevant extracts from TPR’s General Code, extracts from the Board’s own guidance to Local Pension Boards and the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice on the required knowledge and understanding for pension committee members.
6. Before adding this to the workplan, the Secretariat would like to check that the Board would welcome this and if the below broad headline requirements provide a helpful basis to expand upon:
  - Demonstration of understanding of requirements of LGPS regulations and over-riding legislation
  - Understanding and ability to represent the different roles of those involved in the administration, investment and governance of the scheme

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- Understanding of wider pensions administration and governance practice
  - Understanding of government policy affecting pensions and, where different, the policy objectives of the sector or interests they represent.
7. The Board might also find it useful to adopt requirements for some other “soft skills”, such as:
- Adherence to the [Seven Principles of Public Life](#)
  - Capacity to advocate for the sector or interests they represent
  - Willingness to work collaboratively on the Board with those representing other sectors or interests.

## **Risk 14 – Accessibility of SAB Website**

8. This is currently the highest rated risk identified in the risk register. Budget was sought and approved by the previous Minister this year to adapt the Board’s website so it is compliant with accessibility requirements and more effectively showcases the Board’s work and projects. The website, which is also our primary means of communication with funds and other stakeholders, also requires development of the Board’s branding and a contents/structure review.
9. To date the work undertaken to maintain the Board’s website is managed as part of a maintenance contract, held across the wider pensions team, with Webdigi. The work being planned on the Board’s website cannot be done through the current contract (which expires in December 2024) and therefore it is likely a separate procurement exercise will be needed. By the time the Board meets, we expect to have had some informal discussions with potential providers and over the summer will set out a detailed specification for the work.
10. Over the summer, the Secretariat will also carry out some preliminary tasks, such as mapping the site’s contents and structure, reviewing the usage statistics and accessibility of the current content (with the LGA’s inhouse accessibility adviser). Completing this work in advance of procurement will help us develop the specification and reduce the likely cost of delivery.
11. The new role which the Secretariat intends to recruit for will also have as part of their functions the review and improvement of the Board’s digital communications, including usage of social media and all other relevant media channels.
12. A detailed project plan to address this risk will come to the November 2024 Board meeting.

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## Annex B – Extracts from existing guidance products

### [Extracts from TPR General Code on Knowledge and Understanding of Governing Bodies](#)

“All governing bodies should maintain a list of items the members of the governing body should be familiar with. The list should be available in an accessible format and reviewed regularly. The governing body should regularly carry out an audit of skills and experience and review its members’ experience to identify gaps and imbalances, which will help inform training and recruitment needs.” (p25, para 1)

“The governing body should:

- a) have a balance of skills and experience throughout the board and be able to demonstrate this
- b) be able to apply its knowledge to governing the scheme
- c) have enough skills to judge and question advice or services provided by a third party
- d) be able to identify and address skills gaps
- e) have enough understanding of industry good practice and standards to assess scheme performance and its service providers. See Managing advisers and service providers.
- f) keep records of the learning activities of individual members and the body as a whole
- g) be able to demonstrate steps it has taken to comply with the law
- h) have and maintain training and development plans to ensure that individual and collective knowledge and understanding is kept relevant and up to date” (page 32, para 3).

“Those responsible for appointing members to the governing body should do so using the principles of proportionality, fairness, and transparency while also considering the mix of skills and experience needed by the governing body. As far as possible, the governing body should be well-balanced and diverse, with its members demonstrating varied skills, knowledge and experience” (p9, para 3).

### [Extracts from SAB Guidance on Knowledge and Understanding for Local Pension Boards](#)

6.1 In accordance with section 248A of the 2004 Act, every individual who is a member of a Local Pension Board must:

6.1.1 be conversant with:

6.1.1.1 the rules of the LGPS, in other words the Regulations and other regulations governing the LGPS (including the Transitional

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Regulations, earlier regulations and the Investment Regulations);  
and

6.1.1.2 any document recording policy about the administration of the Fund which is for the time being adopted in relation to the Fund,  
and

6.1.2 have knowledge and understanding of:

6.1.2.1 the law relating to pensions; and

6.1.2.2 such other matters as may be prescribed.

6.2 A Local Pension Board member should be aware that their legal responsibilities begin from the date they take up their role on the Board and so should immediately start to familiarise themselves with the documents as referred to in paragraph 6.1.1 and the law relating to pensions.

6.3 In accordance with section 248A, the knowledge and understanding requirement applies to every individual member of a Local Pension Board rather than to the members of a Local Pension Board as a collective group.

6.4 Administering Authorities should make appropriate training available to Local Pension Board members to assist them in undertaking their role and where possible support all members of the Board in undertaking that training.

6.5 Once created, a Local Pension Board should establish and maintain a policy and framework to address the knowledge and understanding

6.6 Members of a Local Pension Board should also be aware of the range and extent of overriding law which applies to the LGPS and have sufficient knowledge and understanding of the content and effect of that law to recognise when and how it impacts on their role, responsibilities and duties.

6.7 Members of a Local Pension Board should have a breadth of knowledge and understanding that is sufficient to allow them to understand fully any professional advice the Local Pension Board is given. Members should be able to challenge any information or advice they are given and understand how that information or advice impacts on any decision relating to the Local Pension Board's duty to assist the Administering Authority.

6.8 Members of the Local Pension Board should commit sufficient time in their learning and development alongside their other duties. Training is an important part of the individual's role and will help to ensure that they have the necessary knowledge and understanding to effectively meet their legal obligations to assist the Administering Authority.

6.9 There must be a practical recognition that it will take a newly appointed member a reasonable period to attain the required full level of knowledge and understanding (see paragraph 6.1). Consideration should also be given to permitting newly appointed Local Pension Board members to

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overlap with the outgoing member to allow them to shadow that Board member for at least one Board meeting (where possible) as well as providing them with high quality induction training.

6.10 A Local Pension Board's knowledge and understanding policy and framework should require its members to undertake a personal training needs analysis and regularly review their skills, competencies and knowledge to identify gaps or weaknesses.

6.11 Part 2 of Schedule B contains examples of areas of knowledge and understanding that a member of a Local Pension Board might be expected to have. These examples may assist a Board member in undertaking a personal training needs analysis.

## **Extracts from the 2021 CIPFA Code on Practice "Knowledge and skills framework for LGPS committee members and LGPS officers"**

"All members of a pension committee are expected to have appropriate knowledge and skills relating to their LGPS duties. However, it is considered appropriate to consider the knowledge and skills of a committee as a collective, i.e. ensuring that the collective degree of knowledge and understanding is appropriate for the purposes of enabling the committee as a whole to properly exercise their delegated responsibility on behalf of the administering authority. Accordingly, although desirable, it is not necessary for every member of the committee to be able to demonstrate individually that they meet all the expected knowledge and skills competencies."

"Administering authorities must be able to demonstrate and explain that the combined knowledge and understanding of the pension committee (or sub-committee), together with the advice available to the committee, enable them to properly exercise their delegated functions."

CIPFA has identified eight core technical areas where appropriate knowledge and skills should be achieved and maintained, these are:

- pensions legislation and guidance
- pensions governance
- funding strategy and actuarial methods
- pensions administration and communications
- pensions financial strategy, management, accounting, reporting and audit standards
- investment strategy, asset allocation, pooling, performance and risk management
- financial markets and products

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- pension services procurement, contract management and relationship management.

The Framework also suggests that wider skills and behaviours are needed to be a competent committee member and sets out the following:

- using informed judgement and common sense in decision making
- seeking clarification as required
- absorbing, analysing and processing large volumes of information
- participating in discussions and being willing to question negotiation skills, diplomacy and political sensitivity
- critiquing advice received.

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