



South Tyneside Council

Local Pension Board

Date: 19th December 2018

Training for Local Pension Board (for information and discussion)

Report of the Head of Pensions

Purpose of Report

1. This report addresses the training requirements of the Local Pension Board.
2. The Local Pension Board is asked to
 - consider further topics for consideration in February 2019 or future training events
 - note the report.

Background

3. The Local Pension Board has used the Chartered Institute of Public Finance and Accountancy (CIPFA) Technical Knowledge and Skills Framework for Local Pension Boards to benchmark their training requirements.
4. The Committee has also adopted the CIPFA Code of Practice on Public Sector Pensions Finance Knowledge and Skills and the CIPFA Knowledge and Skills Framework for Elected Representatives and Non Executives in the Public Sector as the basis of its Training Policy and Programme.
5. It is understood that CIPFA is working on an update to the existing Frameworks.
6. The Training Policy and Programme must also take account of:
 - the training requirements set out by the Pensions Regulator's Code of Practice Number 14 on the Governance and Administration of Public Sector Pension Schemes
 - the requirements of the Investment Strategy Statement
 - the Local Pension Board's specific requirements.

Training Policy

7. The Committee and the Local Pension Board have adopted a joint Training Policy and operate a joint approach to the delivery of training.
8. The joint Training Policy was last approved by Committee in June 2018 and by the Local Pension Board in July 2018.

Code of Practice 14 – Training Requirements

9. Paragraph 6 above notes that the Training Policy and Programme must take account of the training requirements set out by the Pensions Regulator's Code of Practice Number 14 (COP 14) on the Governance and Administration of Public Sector Pension Schemes.
10. Whilst COP 14 is aimed primarily at members of the Local Pension Board, best practice dictates that the standards should also be applied to Pensions Committee members.
11. In relation to training, COP 14 states:

“Pension Board members should undertake a personal training needs analysis and regularly review their skills, competencies and knowledge

to identify gaps or weaknesses. They should use a personalised training plan to document and address these promptly”.

12. This therefore places a requirement on the individual Board members, and the Committee members, if we apply consistent standards, to undertake their own training needs analysis and develop a personalised training plan.
13. The Fund’s Policy and Training Programme as summarised in this report is considered to provide all of the information and detail that individuals need to undertake this analysis and plan for training. It is one of the reasons why a significant level of detail is included in this report about sources of information, training frameworks and training programmes.
14. This allows each individual to review their own position and then have input into the future development of the training programme, based on their own understanding, which is then largely delivered as a collective.
15. The Fund’s Officers believe that this provides sufficient information to allow members to meet their requirements.
16. However, in order to more closely align the Fund’s approach to training to the suggested approach contained in COP 14, it was agreed that the CIPFA knowledge and skills framework would be circulated to members of the Local Pension Board. This would allow the Board members to self-assess themselves against this framework. This in turn would provide useful feedback to inform the training programme delivered to the Local Pension Board.
17. The framework was issued to the Local Pension Board members in August. At the time of writing not all of the returns have been received. Once available the output will be analysed and reported back to the Local Board.

CIPFA Framework

18. The Framework is intended to have two primary uses:
 - As a tool for organisations to determine whether they have the right skills mix to meet their fund’s financial management needs
 - As an assessment tool for individuals to measure their progress and plan their development.
19. Towards the end of 2015, Local Pension Board members benchmarked their training requirements against the CIPFA Framework.

20. Attached as an Appendix is a copy of the CIPFA Framework. The column headed “Current Position” shows details of the training that has been delivered or information provided by the Fund. The column headed “Action Required” is intended to highlight future training needs on those areas of knowledge where information or training has not yet been provided.
21. If any member of the Local Pension Board identifies any additional training needs this should be brought to the attention of the Head of Legal Services or the Head of Pensions.

Fund Documents and Training Material

22. The Fund’s website at www.twpf.info holds documents that set out the Fund’s policies and working practices in its publicly accessible area.
23. There is also a password protected area that has been set up to hold training material and exempt and commercially sensitive documents.

Pensions Regulator Training Toolkit

24. The Pensions Regulator has provided an on-line training resource to assist those involved with public sector pension schemes.
25. This is accessed via a “Trustee Toolkit” link on its website.
26. It provides a set of seven modules covering the key themes in the Code of Practice on governance and administration of public service schemes. Each module provides an option to complete an interactive tutorial online and an assessment to test knowledge.
27. The modules are:
 - Conflicts of interest
 - Managing risk and internal controls
 - Maintaining accurate member data
 - Maintaining member contributions
 - Providing information to members and others
 - Resolving internal disputes
 - Reporting breaches of the law.
28. The Regulator suggests that each module’s tutorial should take no more than 30 minutes to complete.

29. The modules will assist with meeting the minimum knowledge and understanding requirements in relation to the contents of the Code of Practice, but would not meet the knowledge and skills requirements in other areas such as Scheme regulations, the Fund's specific policies and the more general pensions legislation.
30. Therefore, this toolkit should be used to supplement the existing training plans.

Training Programme

31. The annual diary for meetings and training includes provision for two offsite training events which are to be delivered to the Committee and the Local Pension Board.
32. Short training sessions may be included in the quarterly meetings.
33. Induction and refresher sessions can be arranged, as required.
34. Local Pension Board members may arrange a meeting with the Fund's Officers to discuss their individual training requirements, which may then be incorporated into Personal Development Plans.

Delivering the 2018/19 Training Programme

35. The most recent training event took place in Leeds from Wednesday 19th September to Friday 21st September.
36. The next training event is due to take place from Monday 25th to Wednesday 27th February 2019. It has been agreed that this will also take place in Leeds subject to the venue being confirmed.
37. Whilst the training for February is still some time away the following have already been proposed for training
 - Preparing for the 2019 Valuation
 - Review of the Investment Strategy
 - Unitisation and individual employer investment strategies
 - Performance Assessment
 - Benefits
 - An update on pooling
 - The Property Portfolio annual plan

38. Other issues that could be considered at the February training or future training events include

- Global economic outlook
- Benefits of diversification
- Direct v. indirect property

39. The Local Pension Board is asked for its views on the format and content of the September training and to suggest any other topics for future training.

Presentation on Scrutiny

40. A request has been made by the Board on how to undertake a scrutiny role effectively. This has been arranged as part of the agenda for this meeting.

Training on Scrutiny Arrangements

41. A request has been made by the Board for some training on how to undertake a scrutiny role effectively. Discussions are taking place on when and how this can be delivered.

42. An update on this will be given to the Local Pension Board at the meeting.

Recommendations

43. The Local Pension Board is asked to

- consider further topics for consideration in February or future training events
- to note the report.

Reason for Recommendations

44. To ensure that an appropriate approach to training is in place.

THE LOCAL PENSION BOARD TECHNICAL KNOWLEDGE AND SKILLS FRAMEWORK

Section	Current Position	Action Required
1 – Pensions legislation		
A general understanding of the pensions legislative framework in the UK.	Governance arrangements and broad legislation covered at training in September 2015, September 2016, September 2017 and September 2018 training.	
An overall understanding of the legislation and statutory guidance specific to the scheme and the main features relating to benefits, administration and investment.	<p>The Committee and the LPB receive reports on proposed and enacted legislation. Benefits Regulations were reviewed at the September 2015 Seminar.</p> <p>New Investment Regulations were issued and implemented by 1st April 2017. The Committee and the LPB received reports on the New investment regulations at their meetings in November and December 2016 respectively.</p> <p>The new ISS was agreed by the Committee in March 2017 and an update on this was presented to the LPB at their meeting in March 2017. An updated ISS was also approved by Committee in September 2017. The Local Pension Board was consulted on the ISS before consideration by the Committee in both March and September. In addition there was a presentation on the Investment Regs and the ISS at the September 2017 training.</p>	

<p>An appreciation of LGPS discretions and how the formulation of the discretionary policies impacts on the pension fund, employers and local taxpayers.</p>	<p>The Committee reviews discretions and approves the administering authority discretions as changes arise. They were last considered in February 2018. The Committee received an annual report on the discretions exercised by employers. The LPB received copies of these reports and representatives from the LPB attended the February 2017 and 2018 meeting where these discretions were considered as observers.</p>	
<p>A regularly updated appreciation of the latest changes to the scheme rules.</p>	<p>The Committee and the LPB receive reports on proposed and enacted legislation.</p>	
<p>2 – Pensions governance</p>		
<p>Knowledge of the role of the administering authority in relation to the LGPS.</p>	<p>The Committee considers its Governance Compliance Statement periodically. The latest version was presented to Committee in February 2018. The LPB was invited to this meeting. The Statement is included in the Members’ Handbook. The LPB also received copies of these reports. The Governance Arrangements and responsibilities of the LPB were covered at the training in September 2016, September 2017 and September 2018 training.</p>	
<p>An understanding of how the roles and powers of the DCLG, the Pensions Regulator, the Pensions Advisory Service and the Pensions Ombudsman relate to the workings of the scheme.</p>	<p>The Public Service Pensions Act and the roles of DCLG, The Pensions Regulator and Treasury was covered at the training in September 2016 and September 2017 training. A presentation by the Pensions Regulator was</p>	<p>Further training on the Pensions Advisory Service and the Ombudsman could be undertaken.</p>

	delivered to the LPB and Committee members in December 2017.	
Knowledge of the role of the Scheme Advisory Board and how it interacts with other bodies in the governance structure.	<p>The Public Service Pensions Act and the role of the Scheme Advisory Board were covered at the training in September 2016 and September 2017.</p> <p>A link to the Scheme Advisory Board website was sent out to members of the Local Pension Board and the Committee on 16th October 2018.</p>	
A broad understanding of the role of pension fund committees in relation to the fund, the administering authority, employing authorities, scheme members and taxpayers.	The Committee considers its Governance Compliance Statement annually. The latest version was agreed by the Committee in February 2018. The Governance Compliance Statement is included in the Members' Handbook. This information is also available to the LPB. This was covered in the training in September 2016, September 2017 and September 2018	
An awareness of the role and statutory responsibilities of the treasurer and monitoring officer.		Training and advice on this area is required

<p>Knowledge of the Myners principles and associated CIPFA and SOLACE guidance.</p>	<p>The new Investment Strategy Statement (ISS) covers compliance with the Myners Principles. The LPB were consulted on this document prior to it being presented to the Committee for approval in March 2017 and September 2017.</p> <p>A copy of the ISS is available on the Website.</p> <p>A report on the Investment Principles is considered each year. This is also reported to the LPB.</p> <p>Training on the Investment Principles was provided at the September 2015 seminar.</p> <p>The annual governance review undertaken by Deloitte also covers the extent to which the Fund complies with Myners.</p>	
<p>A detailed knowledge of the duties and responsibilities of pension board members.</p>	<p>The LPB received a report at its first meeting in June 2015 with a Governance Statement for the LPB which also set out the roles and responsibilities. A brief update on this was included in the Committee training in September 2016. A copy of the Governance Statement was presented to the Local Pension Board in October 2017.</p> <p>In July 2018, new members of the Board were nominated and the responsibilities of the Board members was covered as part of this meeting.</p>	<p>Training to be arranged on want makes good scrutiny.</p>

<p>Knowledge of the stakeholders of the pension fund and the nature of their interests.</p>	<p>Training on the stakeholders in relation to Scheme governance was provided at the September 2015 seminar.</p>	
<p>Knowledge of consultation, communication and involvement options relevant to the stakeholders.</p>	<p>This is covered in the Communications Policy Statement, which is reviewed periodically by the Committee. This will be available to the LPB.</p> <p>A copy of the latest Communications Policy Statement was approved by Pensions Committee in February 2018. This report was made available to the LPB and members were invited to the Committee meeting where it was approved.</p>	
<p>Knowledge of how pension fund management risk is monitored and managed.</p>	<p>This is covered in the Investment Strategy Statement. The LPB were consulted on this before it was approved by Committee in March 2017 and September 2017. A presentation on the ISS including risk was made at the training event in September 2017.</p> <p>The Funding Strategy Statement (FSS) also covers risks and how they are managed. The LPB is consulted on the FSS. The latest version was agreed by Committee in September 2018.</p> <p>The LPB receives a quarterly report on risk management. The Committee has delegated the responsibility for reviewing the risk register to the LPB.</p>	

<p>An understanding of how conflicts of interest are identified and managed.</p>	<p>A conflicts of interest policy has been developed for the Committee and LPB. A copy of the policy is available on the Funds website. The LPB received a copy in June 2015. This issue was also covered at the September 2016 and the September 2017 training.</p>	
<p>An understanding of how breaches in law are reported.</p>	<p>A policy on breaches in law was presented to the Local Pension Board in October 2015.</p> <p>A report on breaches of the law and the role of the regulator is presented quarterly to the Local Board.</p>	
<p>3 – Pensions administration</p>		
<p>An understanding of best practice in pensions administration e.g. performance and cost measures.</p>		<p>Training on this was scheduled for the March 2016 training but this was postponed for an additional session on Pooling. Training to be arranged. Consideration to be given to presenting on this in February 2019.</p>
<p>Understanding of the required and adopted scheme policies and procedures relating to:</p> <ul style="list-style-type: none"> •member data maintenance and record-keeping processes •internal dispute resolution •contributions collection •scheme communication and materials. 	<p>This is summarised in the Fund's Annual Report and Accounts, which are presented to the LPB</p>	

<p>Knowledge of how discretionary powers operate.</p>	<p>A report on administering authority discretionary powers was last considered by Committee in February 2018. Representatives from the LPB were invited to this meeting as observers. This report was made available to the LPB.</p>	
<p>Knowledge of the pensions administration strategy and delivery (including, where applicable, the use of third party suppliers, their selection, performance management and assurance processes).</p>	<p>A copy of the latest Pensions Administration Strategy was presented to the Committee in February 2017. Representatives from the LPB attended this meeting as observers. This report was made available to the LPB.</p>	
<p>An understanding of how the pension fund interacts with the taxation system in the UK and overseas in relation to benefits administration.</p>		<p>Training to be considered</p>
<p>An understanding of what AVC arrangements exist and the principles relating to the operation of those arrangements, the choice of investments to be offered to members, the provider's investment and fund performance report and the payment schedule for such arrangements.</p>	<p>Training on AVCs was delivered to the Local Pension Board in October 2018 by the Prudential.</p> <p>An annual report on the Fund's AVC arrangements is presented to Pensions Committee in November each year, which is available to the LPB. The last report was in November 2018.</p>	
<p>4 – Pensions accounting and auditing standards</p>		
<p>An understanding of the Accounts and Audit Regulations and legislative requirements relating to internal controls and proper accounting practice.</p>	<p>The LPB receives presentations and reports from the internal and external auditors on the audit programme and the Annual Report and Accounts</p>	

An understanding of the role of both internal and external audit in the governance and assurance process.	The LPB receives presentations and reports from the internal and external auditors on the audit programme and the Annual Report and Accounts	
An understanding of the role played by third party assurance providers.	The LPB receives presentations and reports from the internal and external auditors on the audit programme and the Annual Report and Accounts	
5 – Pensions services procurement and relationship management		
An understanding of the background to current public procurement policy and procedures, and of the values and scope of public procurement and the roles of key decision-makers and organisations.	Procurement requirements and options are reported to the Committee and LPB.	
A general understanding of the main public procurement requirements of UK and EU legislation.	Procurement requirements and options are reported to the Committee and LPB.	
An understanding of the nature and scope of risks for the pension fund and of the importance of considering risk factors when selecting third parties.	Risk workshop training undertaken at the training in September 2016 and September 2018. The risk register is reported to the LPB quarterly and the Committee annually. Selected risks are discussed in more detail at each quarterly meeting.	

<p>An understanding of how the pension fund monitors and manages the performance of their outsourced providers.</p>	<p>Quarterly reports are presented to Committee and are available to the LPB on the investment managers. There is an annual report on the performance of the Custodian and the performance of the Investment Advisor is subject to an assessment by the Committee and the LPB.</p>	
<p>6 – Investment performance and risk management</p>		
<p>An understanding of the importance of monitoring asset returns relative to the liabilities and a broad understanding of ways of assessing long-term risks.</p>	<p>Training on Asset Liability Modelling was presented in September 2016. The outcome of the latest modelling was part of the training session in March 2017. A presentation on potential de-risking of the Pension Fund was made at the training in September 2017.</p>	<p>This will be revisited as part of the review of the Investment Strategy in 2019/20.</p>
<p>An awareness of the Myners principles of performance management and the approach adopted by the administering authority.</p>	<p>The Committee and LPB carried out an annual assessment exercise on their own performance in compliance with the Myners principles. The outcome of this is reported to the Local Pension Board.</p> <p>The principles are covered in the Annual Report and Accounts. Training on the Investment Principles was delivered in September 2015. The Fund uses an independent performance measurer and the results are reported to Committee and are available to the LPB quarterly.</p>	

<p>Awareness of the range of support services, who supplies them and the nature of the performance monitoring regime.</p>	<p>Annual reports are considered on the performance of the providers of support services.</p>	
<p>7 – Financial markets and products knowledge</p>		
<p>An understanding of the risk and return characteristics of the main asset classes (equities, bonds, property etc.).</p>	<p>The main asset classes were covered in the training in September 2015, September 2016 September 2017, and September 2018. Property training was undertaken in March 2018.</p>	
<p>An understanding of the role of these asset classes in long-term pension fund investing.</p>	<p>The main asset classes were covered in the training in September 2015, September 2016, September 2017 and September 2017. Property training was undertaken in March 2018.</p> <p>The presentation by Hymans at the training in September 2016 and March 2017 on ALM modelling covered this.</p>	
<p>An understanding of the primary importance of the fund’s statement of investment principles and the investment strategy decision.</p>	<p>Training on Statement of Investment Principles delivered in September 2015.</p> <p>The Statement of Investment Principles has been replaced with an Investment Strategy Statement (ISS). The LPB was consulted on the new ISS. This has been subject of reports to the Committee and the LPB.</p> <p>Training on the new ISS was delivered in September 2017.</p>	

A broad understanding of the workings of the financial markets and of the investment vehicles available to the pension fund and the nature of the associated risks.	Training on the economic environment and the main asset classes was delivered in September 2015, 2016 2017 and 2018.	Consideration given to providing more detail on investment vehicles. This may be more relevant when we determine the investment vehicles to be used under pooling.
An understanding of the limits placed by regulation on the investment activities of local government pension funds.	Training on Investment Principles including limits delivered in September 2016. These limits will no longer apply with the new 2016 Investment Regulations	
An understanding of how the pension fund interacts with the taxation system in the UK and overseas in relation to investments.		Further information on this to be provided
8 – Actuarial methods, standards and practices		
A general understanding of the role of the fund actuary.	This was covered in Training in March 2016 and September 2018	
Knowledge of the valuation process, including developing the funding strategy in conjunction with the fund actuary, and inter-valuation monitoring.	This was covered in the September 2016 Training. Training on the preparation for the 2019 valuation was delivered in September 2018. Inter-valuation monitoring is presented to Pensions Committee and the Board has access to these reports.	A further valuation preparation session will be undertaken in February 2019.
An awareness of the importance of monitoring early and ill health retirement strain costs.	Ill Health retirement costs form an important part of the valuation. This was covered in the training delivered by the Actuary in March 2016.	

<p>A broad understanding of the implications of including new employers into the fund and of the cessation of existing employers.</p>	<p>Training on this was delivered in March 2017</p>	
<p>A general understanding of the relevant considerations in relation to outsourcings and bulk transfers.</p>	<p>Training on this was delivered in March 2017</p>	
<p>A general understanding of the importance of the employer covenant and the relative strengths of the covenant across the fund employers.</p>	<p>Reports on the 2016 valuation include employer covenant. Information on employer covenant was also presented at the training in March 2016.</p>	

Training for Local Pension Board

The following is a list of the background papers (excluding exempt papers) relied upon in the preparation of the above report:

Background Paper	File Ref:	File Location
Local Pension Board Training File		Investments Office, South Shields Town Hall