



# South Tyneside Council

item 4

## Local Pension Board

Date: 20<sup>th</sup> December 2017

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## Training for Local Pension Board

Report of the Corporate Director Business and Commercial Development

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### Purpose of Report

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

## **Training Policy**

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 Principles
  - 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 the Committee in June 2017 and by the Local Pension Board in July 2017. A copy of the training policy is attached as an Appendix.

## **CIPFA Framework**

9. 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.
10. Towards the end of 2015, Local Pension Board members benchmarked their training requirements against the CIPFA Framework.

11. 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.
12. The views of the Local Pension Board are sought on this Appendix in order to help inform future training.

### **Fund Documents and Training Material**

13. The Fund's website at [www.twpf.info](http://www.twpf.info) holds documents that set out the Fund's policies and working practices in its publicly accessible area.
14. 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**

15. The Pensions Regulator has provided an on-line training resource to assist those involved with public sector pension schemes.
16. This is accessed via a "Trustee Toolkit" link on its website.
17. 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.
18. 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.
19. The Regulator suggests that each module's tutorial should take no more than 30 minutes to complete.

20. 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.
21. Therefore, this toolkit should be used to supplement the existing training plans.

### **Training Programme for 2017/18**

22. The diary for 2017/18 includes provision for two offsite training events which are to be delivered to the Committee and the Local Pension Board.
23. Short training sessions may be included in the quarterly meetings.
24. Induction and refresher sessions can be arranged, as required.
25. 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.

### **February 2018 Training**

26. The next training event for the Local Pension Board and the Committee is due to be held on Monday 26<sup>th</sup> to Wednesday 28<sup>th</sup> February.
27. This is likely to take place at the offices of Aberdeen Standard Investments in Edinburgh. The standard format is to base the training around the property Portfolio and the annual property business plan.
28. In addition to the property related training, it is likely that updates will be provided on;
  - Investment pooling – The Chair (Chris Hitchen) and Chief Executive Officer (Rachel Elwell) will be attending.
  - Shared Services
  - The Committee and Local Pension Board Assessment of Performance
29. The Committee has requested that training on the General Data Protection Regulations be covered and this will be included on the agenda. Fee and cost benchmarking was also discussed but information on this may not be ready in time for the training. This will, however, be considered.

30. Other topics that could be covered include

- Cashflow
- Unitisation and employer investment strategies
- Benefits Structure
- Freedom and Choice
- Global Property
- Infrastructure
- Private Equity
- Communications Policy

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

#### **Presentation from the Pensions Regulator**

32. A presentation from the Pensions Regulator is taking place on Thursday 21<sup>st</sup> December in the offices of Durham County Council. All members of the Committee and the Local Pension Board have been invited to this training. Other pension funds from the North East will also be attending.

#### **Presentation from Alan McDougal – PIRC (Pensions, Investments Research Consultants)**

33. At the meeting of the Local Pension Board in December 2016, the Chair noted that he had been approached by Alan McDougal to present to the Board.

34. This has been arranged for this meeting.

#### **Presentation on AVC's**

35. A request has been made by the Board for a presentation on AVC's. This will be arranged for a future meeting.

#### **Recommendations**

36. The Local Pension Board is asked to

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

### **Reason for Recommendations**

37. 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
<b>1 – Pensions legislation</b>		
A general understanding of the pensions legislative framework in the UK.	Governance arrangements and broad legislation covered at training in September 2015, September 2016 and September 2017	
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 2017. 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 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><b>2 – Pensions governance</b></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 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 and September 2017 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.</p>	<p>Further training on the Pensions Advisory Service and the Ombudsman is needed. A presentation by the Pensions Regulator is being delivered to the Board and Committee on 21<sup>st</sup> December 2017.</p>
<p>Knowledge of the role of the Scheme Advisory Board and how it interacts with other bodies in the governance structure.</p>	<p>The Public Service Pensions Act and the role of the Scheme Advisory Board was covered at the training in September 2016 and September 2017</p>	



<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.</p>	<p>The Committee considers its Governance Compliance Statement annually. 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 and September 2017</p>	
<p>An awareness of the role and statutory responsibilities of the treasurer and monitoring officer.</p>		<p>Training and advice on this area is required</p>
<p>Knowledge of the Myners principles and associated CIPFA and SOLACE guidance.</p>	<p>The new Investment Strategy Statement (ISS) cover 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>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</p>	

	<p>September 2016</p> <p>A copy of the Governance Statement was presented to the Local Pension Board in October 2017.</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>Details of the latest Communications Policy Statement to be advised to the Local Pension Board.</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>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 issues 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</p>	

	<p>the Local Pension Board in October 2015.</p> <p>A report on breaches of the law is being presented to the Local Pensions Board from October 2017.</p>	
<b>3 – Pensions administration</b>		
<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 2018.</p>
<p>Understanding of the required and adopted scheme policies and procedures relating to:</p> <ul style="list-style-type: none"> <li>• member data maintenance and record-keeping processes</li> <li>• internal dispute resolution</li> <li>• contributions collection</li> <li>• scheme communication and materials.</li> </ul>	<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 2017. Representatives from the LPB attended this meeting as observers. This report was made available to the LPB.</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).	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.	
An understanding of how the pension fund interacts with the taxation system in the UK and overseas in relation to benefits administration.		Training to be considered
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.		The Local Pension Board has asked for training in this area. The Fund is approaching The Prudential to deliver this training.
<b>4 – Pensions accounting and auditing standards</b>		
An understanding of the Accounts and Audit Regulations and legislative requirements relating to internal controls and proper accounting practice.	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 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	

<p>An understanding of the role played by third party assurance providers.</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>	
<p><b>5 – Pensions services procurement and relationship management</b></p>		
<p>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.</p>	<p>Procurement requirement and options are reported to the Committee and LPB.</p>	
<p>A general understanding of the main public procurement requirements of UK and EU legislation.</p>	<p>Procurement requirement and options are reported to the Committee and LPB.</p>	
<p>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.</p>	<p>Risk workshop training undertaken at the training in September 2016. 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>	
<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><b>6 – Investment performance and risk management</b></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>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>These reports will be brought to the attention of the LPB at the meeting in October 2017.</p>
<p><b>7 – Financial markets and products knowledge</b></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 and September 2017. Property training was undertaken in March 2017.</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 and September 2017. Property training was undertaken in March 2017.</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>	
<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.</p>	<p>Training on the economic environment and the main asset classes was delivered in September 2015 and September 2016</p>	<p>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.</p>

An understanding of the limits placed by regulation on the investment activities of local government pension funds.	<p>Training on Investment Principles including limits delivered in September 2016.</p> <p>These limits will no longer apply with the new 2016 Investment Regulations</p>	
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
<b>8 – Actuarial methods, standards and practices</b>		
A general understanding of the role of the fund actuary.	This was covered in Training in March 2016	
Knowledge of the valuation process, including developing the funding strategy in conjunction with the fund actuary, and inter-valuation monitoring.	<p>This was covered in the September 2016 Training.</p> <p>Inter valuation monitoring is presented to Pensions Committee and the Board has access to these reports.</p>	
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.	Training in this area to be considered
A broad understanding of the implications of including new employers into the fund and of the cessation of existing employers.	Training on this was delivered in March 2017	
A general understanding of the relevant considerations in relation to outsourcings and bulk transfers.	Training on this was delivered in March 2017	



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<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>	
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## **TYNE AND WEAR PENSION FUND**

### **TRAINING POLICY FOR THE PENSIONS COMMITTEE AND THE LOCAL PENSION BOARD**

**APPROVED BY PENSIONS COMMITTEE IN JUNE 2017 AND BY THE LOCAL PENSION BOARD IN JULY 2017**

#### **Introduction**

1. South Tyneside Council, as the administering authority for the Tyne and Wear Pension Fund, has adopted a recommendation from CIPFA on knowledge and skills. This states:
  - The Council has adopted the key recommendations of the CIPFA Code of Practice on Public Sector Pensions Finance Knowledge and Skills.
  - The Council recognises that effective financial administration and decision-making can only be achieved where those involved have the requisite knowledge and skills.
  - Accordingly, the Council requires the Pensions Committee and the Local Pension Board to ensure that they have formal and comprehensive objectives, policies and practices, strategies and reporting arrangements for the effective acquisition and retention of the Local Government Pension Scheme finance knowledge and skills for those responsible for financial administration and decision-making.
  - These policies and practices will be guided by reference to a comprehensive framework of knowledge and skills requirements such as that set down in the CIPFA Pensions Finance Knowledge and Skills Frameworks.
  - The Pensions Committee and the Local Pension Board will report on an annual basis how these policies have been put into practice throughout the financial year.
  - The Council has delegated the responsibility for the implementation of the requirements of the CIPFA Code of Practice to the Corporate Director Business and Resources, who will act in accordance with the Council's practices and, where he/she is a CIPFA member, with CIPFA Standards of Professional Practice.
2. The Pensions Committee has adopted the CIPFA Knowledge and Skills Framework for Elected Representatives and Non Executives in the Public Sector as the basis of its approach to training.

3. The Local Pension Board has adopted the CIPFA Pensions Panel Technical Knowledge and Skills Framework for Local Pension Boards as the basis of its approach to training.
4. The Myners Review recommended that there should be a legal requirement that where trustees are taking a decision, they should be able to take it with the skill and care of someone familiar with the issues concerned.
5. Investment Principle 1 concerns “Effective Decision Making”. As adapted for the Local Government Pension Scheme, it states:
  - “Administering authorities should ensure that decisions are taken by persons or organisations with the skills, knowledge, advice and resources necessary to make them effectively and monitor their implementation; and
  - Those persons or organisations have sufficient expertise to be able to evaluate and challenge the advice they receive, and manage conflicts of interest.”
6. The recommendations from the Myners Review were taken forward by the Pensions Act 2004, which the Fund has followed as best practice.
7. The Training Policy and Programme takes account of the training requirements set out in the Pensions Regulator’s Code of Practice Number 14 on the Governance and Administration of Public Sector Pension Schemes that took effect from April 2015.
8. The Training Policy and Programme takes account of the ongoing specific requirements of the Pension Committee and the Local Pensions Board.

### **Delivery of Training**

9. The training programme is based around two residential training seminars, each lasting up to three days, which are held every year.
10. In addition to the seminars, extra half or one day sessions are arranged, as required.
11. The investment managers, the Investment Advisor and the Actuary assist with training. They offer their own training seminars and provide speakers for the training programme.
12. Training seminars and conferences that are offered by industry wide bodies are attended.
13. The Fund’s website includes training information.

14. Committee and Board Members are encouraged to use the Pensions Regulator's on-line training resource that assists those involved with the public sector pension schemes.
15. Members receive mailings of relevant publications.
16. The Fund's Officers are available to assist with each Member's individual training requirements.

### **Training for New Members**

17. A new Member is invited to attend a briefing session with the Head of Pensions. This session can include an assessment of the individual training needs.
18. In house induction sessions are available as required.
19. A new Member may also attend induction courses that are offered by the Fund's investment managers.

### **Additional Training for the Investment Panel**

20. Three Committee Members, including the Chair and Vice Chair of the Committee, sit on the Investment Panel. The Panel carries out detailed monitoring of the investment management strategy and structure and of the performance of the individual managers. It makes recommendations to the Committee on changes to the structure. Additional training is arranged for the Members who sit on the Panel.
21. The additional training is also provided in recognition of the more onerous roles of Chair and Vice Chair of the Committee.

### **Additional Training for the Chair and Vice Chair of the Local Pension Board**

22. The Chair and Vice Chair of the Board attend additional training in recognition of the more onerous roles of Chair and Vice Chair of the Board.

### **Monitoring and Reporting of Training**

23. Members assess their own training needs against the programme that is available.
24. A log is maintained of training offered and undertaken.
25. A report on training is included in the Fund's Annual report and Accounts.

### **Arrangements for Review of the Policy and Programme**

25. The Policy is reviewed and updated at least annually.
26. The Committee and Board review the content and delivery of the training programme at each quarterly meeting.

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## Training for Local Pension Board

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

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