



## Local Pension Board

Date: 6<sup>th</sup> July 2016

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## Training for Board Members

Report of the Corporate Director Business and Resources

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### Purpose of Report

1. This report addresses the training requirements of the Local Pension Board.
2. Board Members are asked
  - to consider and approve a Joint Training Policy for the Pensions Committee and the Local Pension Board
  - to note the proposed arrangements for the seminar in September
  - to continue to suggest subjects that they wish to have covered in later training sessions
  - to note the report.

## **Training Policy**

3. The Committee has adopted the Chartered Institute of Public Finance and Accountancy (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.
4. It is understood that CIPFA is working on an update to the existing Frameworks
5. A separate Framework for local pension boards has been issued. This is in line with the existing Framework for Elected Representatives.
6. The Training Policy and Programme must also take account of:
  - the training requirements set out 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 Committee's specific requirements.

## **Training Policy**

7. The Committee last reviewed its Training Policy in February 2016.
8. The Committee and the Local Pension Board have adopted a joint approach to the delivery of training.
9. Therefore, it is suggested that a joint Training Policy be adopted.
10. A suggested Policy is attached for the Local Boards comments.
11. This policy was agreed by Pensions Committee. The Local Pension Board is also recommended to approve the joint Policy.

## **CIPFA Framework**

12. The CIPFA Framework is attached as the first appendix.
13. The Framework is intended to have two primary uses:
  - As a tool for organisations to determine whether they have the right skill mix to meet their fund's financial management needs
  - As an assessment tool for individuals to measure their progress and plan their development.

14. The Framework is intended for application to all members of decision-making bodies. However, it has been designed so that organisations and individuals can tailor it to their own particular circumstances.
15. In addition, in recognition of the more onerous roles of chairs and vice-chairs, the framework also includes a specimen role specification for the chair/vice-chair of a decision-making body.

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

16. 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.
17. 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**

18. The Pensions Regulator has provided an on-line training resource to assist those involved with the public sector pension schemes.
19. This is accessed via a "Trustee Toolkit" link on its website.
20. 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.
21. 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.
22. The Regulator suggests that each module's tutorial should take no more than 30 minutes to complete
23. 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.

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

### **Training Programme for 2016/17**

25. The diary for 2016/17 includes provision for two offsite training events which are offered to the Committee and the Local Pension Board.
26. Short training sessions may be included in the quarterly meetings.
27. Induction and refresher sessions can be arranged, as required.
28. 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.

### **September 2016 Training**

29. The next training seminar will be held from Monday 19<sup>th</sup> to Wednesday 21<sup>st</sup> September 2016. It will be attended by the Committee and the Local Pension Board. The proposed venue is the Apex Hotel, Waterloo Place, Edinburgh.
30. The likely topics are:
  - The 2016 Valuation – a briefing by the Actuary and the Officers and the derivation of a draft strategy. In line with past practice, this will be delivered in conjunction with Northumberland Pension Fund
  - Asset Liability Modelling of the Investment Management Strategy and Structure – a briefing by the Investment Advisor and the Officers
  - Related topics to the funding strategy such as future management of Fund level cash flow and derisking
  - An update on Pooling
  - Risk Management – a briefing by Deloitte
  - Asset classes – briefings by the Fund's investment managers.

### **Future Training**

31. The Local Pension Board is asked to continue to raise areas that could be included in future training.

## **Recommendations**

32. The Local Pension Board is asked

- to review and approve the joint Training Policy
- to note the arrangements for the seminar in September
- to continue to suggest subjects that they wish to have covered in later training sessions
- to note the report.

## **Reason for Recommendations**

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

## THE PENSIONS KNOWLEDGE AND SKILLS FRAMEWORK FOR ELECTED REPRESENTATIVES AND NON-EXECUTIVES

Area	Current Position	Action Required
<b>Pensions legislative and governance context</b>		
<b>General pensions framework</b>		
A general awareness of the pensions legislative framework in the UK.	Training delivered annually, as part of the training on Scheme benefits.  Reviewed at the 2013 September Seminar	
<b>Scheme specific legislation</b>		
An overall understanding of the legislation specific to the scheme and the main features relating to benefits, administration and investment.	The Committee receives reports on proposed and enacted legislation.  Benefits Regulations reviewed at the March 2014 seminar and the September 2015 seminar.  Investment Regulations reviewed at the 2012 September Seminar.	The Government has recently consulted on changes to the Investment Regulations which are expected to come into effect in 2016. This was reported to Committee in January 2016. Further training on the new Investment Regulations will take place once they are finalised.

<p>An awareness of the LGPS (Benefits, Membership and Contributions) Regulations 2007 and the LGPS Administration Regulations 2008 and their main features.</p>	<p>See above.</p> <p>The Benefits and Administration Regulations were reviewed at the 2012 September Seminar. Complaints and appeals procedures were also covered.</p> <p>The new scheme Regulations were reviewed at the March 2014, September 2014 and September 2015 seminars</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 and approves the administering authority discretions as changes arise. They were last considered in February 2016.</p> <p>The Committee receives an annual report on the discretions that may be exercised by employers.</p>	
<p>A regularly updated appreciation of the latest changes to the scheme rules.</p>	<p>The Committee receives regular reports on proposed and enacted legislation.</p>	
<p>Knowledge of the role of the administering authority in relation to the LGPS.</p>	<p>The Committee considers its Governance Compliance Statement at least annually. The Statement is included in the Members' Handbook.</p> <p>Responsibilities of Members was covered at the 2013 September Seminar and the July 2014 meeting.</p>	

<b>Pensions regulators and advisors</b>		
An understanding of how the roles and powers of the Pensions Regulator, the Pensions Advisory Service and the Pensions Ombudsman relate to the workings of the scheme.	Reviewed at the September 2014 Seminar and the March 2015 Seminar.	
<b>General constitutional framework</b>		
Broad understanding of the role of pension fund committees in relation to the fund, administering authority, employing authorities, scheme members and taxpayers.	<p>The Committee considers its Governance Compliance Statement at least annually. The Governance Compliance Statement is included in the Members' Handbook.</p> <p>Training on Responsibilities of Members was delivered at the September 2013 and the March 2015 Seminars.</p> <p>The service plan, medium term financial plan and local performance indicators are covered in the residential seminars and at an annual special meeting. These areas are reviewed at each quarterly meeting and are included in the Members' Handbook.</p> <p>Service Planning and Budgeting for 2016 – 19 was covered at the November 2015 meeting.</p> <p>A Risk Management workshop was delivered by Deloitte at the September 2015 Seminar</p>	



	<p>The Training Policy is reviewed and approved annually. The approach to training is reviewed at each quarterly meeting.</p> <p>Material from the training delivered and links to useful websites are available on a dedicated Committee website.</p>	
<p>Awareness of the role and statutory responsibilities of the treasurer and monitoring officer.</p>	<p>This is covered in training on the governance structure. See above.</p>	
<p><b>Pension scheme governance</b></p>		
<p>An awareness of the LGPS main features.</p>	<p>This is covered in training on Scheme Regulations and governance.</p> <p>Governance of the LGPS was covered in the training in September 2015.</p>	
<p>Knowledge of the Myners Principles and associated CIPFA &amp; SOLACE guidance.</p>	<p>A copy of the Statement of Investment Principles is available on the Website.</p> <p>A report on the Investment Principles is considered each year.</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 committee members.</p>	<p>This is covered in training and reports on the Governance Compliance Statement, which is included on the Website.</p> <p>Training on Responsibilities of Members was delivered at the September 2013 Seminar and the July 2014 meeting.</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.</p>	

<p><b>Pensions accounting and auditing standards</b></p>		
<p>Awareness of the Accounts and Audit Regulations and legislative requirements relating to the role of the committee and individual members in considering and signing off the accounts and annual report.</p>	<p>The Committee receives presentations and reports from its internal and external auditors on the audit programmes and the Annual Report and Accounts.</p>	
<p>Awareness of the role of both internal and external audit in the governance and assurance process.</p>	<p>See above.</p>	

<b>Financial services procurement and relationship management</b>		
<b>Understanding public procurement</b>		
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>Procurement requirements and options are reported to the Committee.</p> <p>The Committee is aware of the recommendations of the Morris Review of the Actuarial Profession and the Myners' Review in relation to the appointments of actuaries and advisors.</p>	
A general understanding of the main public procurement requirements of UK and EU legislation.	Procurement requirements and options are reported to the Committee.	
<b>Supplier risk management</b>		
Awareness of the nature and scope of risks for the pension fund and of the importance of considering risk factors when selecting third parties.	<p>This is included in each procurement exercise.</p> <p>A Risk Management workshop was delivered by</p>	

	<p>Deloitte at the September 2015 Seminar.</p> <p>A quarterly report is provided on Risk Management</p>	
<b>Performance and risk management</b>		
<b>Total fund</b>		
<p>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 sessions on actuarial valuations, the funding level and the Funding Strategy Statement were included in the 2013 and 2014 September Seminars.</p> <p>Training on Asset Liability Modelling was included in the November 2013 training.</p> <p>Training on derisking strategies was delivered in March 2015.</p> <p>The Committee receives a quarterly report on the estimated funding level in non valuation years.</p>	
	<p>A training session on the proposed Scheme Advisory Board Key Performance Indicators was delivered in March 2016</p>	

<b>Performance of advisors</b>		
<p>Awareness of the Myners principles of performance management and the approach adopted by the committee.</p>	<p>The Committee carries out an annual assessment exercise. Training on the Investment Principles was delivered in September 2015.</p> <p>The Committee receives quarterly reports on the performance of investment managers and the Total Fund.</p> <p>Training on the role of the Investment Advisor was delivered in November 2012.</p> <p>Additional reports are considered, as required.</p>	
<b>Performance of the committee</b>		
<p>Awareness of the Myners principles and the need to set targets for the committee and to report against them.</p>	<p>The Committee carries out an annual assessment exercise.</p> <p>Actions and targets are included in the Service Plan, which is subject to monthly monitoring by Officers and quarterly monitoring by the Committee.</p>	

<b>Performance of support services</b>		
Awareness of the range of support services, who supplies them and the nature of the performance monitoring regime.	<p>Annual reports are considered on the performance of the providers of support services.</p> <p>Benchmarking information is included where this is available.</p> <p>Additional reports are considered, as required.</p>	Training may be provided on performance monitoring, risk monitoring, custody, class actions and transaction cost monitoring
<b>Financial markets and products knowledge</b>		
<b>Investment strategy</b>		
Awareness of the risk and return characteristics of the main asset classes (equities, bonds, property).	<p>The main asset classes of Equities, Bonds and Property were covered at the 2013, 2014 and 2015 September Seminars, the March 2013 Seminar and the March 2014 Seminar.</p> <p>Additional Property training takes place at the March Seminar each year. Subjects covered in March 2013, March 2014, March 2015 and March 2016 included a market overview, restructuring of the portfolio and the investment plan, sustainability, retail and residential.</p> <p>Global Property was covered at the 2013, 2014</p>	Training required on Commodities, Derivatives and Currency Overlay

	<p>and 2015 September Seminars.</p> <p>Private Equity was covered at the 2013, 2014 and 2015 September Seminars and the March 2014 seminar.</p> <p>Infrastructure was covered at the September 2013, September 2014 and September 2015 Seminars.</p> <p>Passive investment was covered at the 2014 September Seminar. The 2014 September Seminar included training on Fundamental Indexation. The March 2015 Seminar revisited both topics.</p> <p>A training session on the Pan European equity mandate was delivered at the November 2013 meeting.</p> <p>Corporate Governance and Shareholder Activism, including the Fund's Policy on Socially Responsible Investment, the Exercise of Rights and Corporate Governance, were covered at the 2014 and 2015 September Seminars.</p> <p>A session on Tobacco was included in the March 2013 training</p> <p>A session on Local Investment was included in the March 2013 training</p> <p>The relevant policies are included on the Website.</p>	
<p>Understanding of the role of these asset classes in long term pension fund investing.</p>	<p>This is covered in the training on asset classes, Asset Liability Modelling and funding strategy.</p>	

	Training on the investment strategy and structure was delivered at the September 2015 Seminar.	
	A training session on Pooling was undertaken in March 2016	
<b>Financial markets</b>		
Understanding of the primary importance of the investment strategy decision.	<p>Training on Asset Liability Modelling, the strategic benchmark and the investment management structure was included in the September 2014 and 2015 Training.</p> <p>Training on the economic background and outlook was delivered at the September 2015 Seminar and the March 2016 seminar.</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.	This is covered in the training on asset classes.	
An awareness of the limits placed by regulation on the investment activities of local government pension funds.	<p>Investment Regulations were reviewed at the 2012 September Seminar.</p> <p>Limits in relation to stocklending, limited partnerships and unlisted securities have been the subject of specific reports to the Committee and are covered in the Statement of Investment Principles.</p>	The Government has recently consulted on changes to the Investment Regulations which are expected to come into effect in 2016. This was reported to Committee in January 2016. Further training on the new Investment Regulations will take place once they are finalised.



<p><b>Actuarial methods, standards and practices</b></p>		
<p><b>Valuations</b></p>		
<p>Knowledge of the valuation process, including developing the funding strategy in conjunction with the Fund actuary, and inter-valuation monitoring.</p>	<p>Training sessions on actuarial valuations, the funding level and the Funding Strategy Statement were included in the September 2013 and March 2016 Seminars.</p> <p>Training on Asset Liability Modelling was delivered in November 2013.</p> <p>Training on Fund cashflow was delivered in March 2015.</p> <p>Training on the funding strategy benchmarked against other funds was included in the September 2014 Seminar.</p> <p>An update on Funding Strategy was provided in March 2015.</p> <p>The Funding Strategy Statement is included on the Website.</p> <p>The Committee receives a quarterly report on the estimated funding level.</p>	

<p>Awareness of the importance of monitoring early and ill health retirement strain costs.</p>	<p>This area is included in valuation and funding strategy training. Ill health retirement was covered at the 2013 September Seminar.</p>	
<p>A broad understanding of the implications of including new employers into the fund and of the cessation of existing employers.</p>	<p>This area is included in valuation and funding strategy training.  The Committee's policy on admissions was last reviewed in July 2014.</p>	<p>Further training has been requested and is to be arranged.</p>
<p><b>Outsourcing</b></p>		
<p>A general awareness of the relevant considerations in relation to outsourcings and bulk transfers.</p>	<p>This area is included in valuation and funding strategy training.</p>	<p>Further training has been requested and is to be arranged.</p>

## **TYNE AND WEAR PENSION FUND**

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

**REVIEWED AND UPDATED – XXXXXXX 2016**

#### **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 Members

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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>
Members Training File		Investments Office, South Shields Town Hall