

Non-Executive Report of the:  <b>Pensions Board</b>  7 <sup>th</sup> March 2019	 <b>TOWER HAMLETS</b>
<b>Report of:</b> Neville Murton, Corporate Director, Resources	<b>Classification:</b> Unrestricted
<b>Training &amp; Development Plans For Pension Board Members</b>	

<b>Originating Officer(s)</b>	Bola Tobun, Investment & Treasury Manager
<b>Wards affected</b>	All wards

## Summary

This report sets out the need for a training and development programme for members of the Pension Board and Committee.

There are requirements for LGPS Pension Committee members, Pension Board members and officers to have an appropriate level of knowledge and skills. These are being driven by the Chartered Institute of Public Finance and Accountancy (CIPFA) publication “Pensions Finance, knowledge and skills framework, Technical Guidance for Elected Representatives and Non-executives in the Public Sector” (2010) (referred to elsewhere in this report as the “CIPFA knowledge and skills framework (2010)”, the Pensions Regulator (TPR), legislation and recently CIPFA publication - A Technical Knowledge and Skills Framework for local Pension Boards.

## Recommendations:

Members are asked to consider this report and to:

- a) Note the assessment and training resources provided by the Pensions Regulator (paragraph 3.21 – 3.24);
- b) Note the adoption of the CIPFA Local Pensions Boards Technical Knowledge and Skills framework (paragraph 3.25 – 3.32), including the self-assessment matrix (attached as Appendix 2) and
- c) Agree the training framework and programme for 2019/20 set out within the report (para 3.33 and 3.35).

## **1. REASONS FOR THE DECISIONS**

- 1.1 Governance is defined as the action, manner or system of governing. Good governance is vital and is promoted in the context of a pension scheme/fund by having Members and Observers on the decision making body who have the ability, knowledge and confidence to challenge and to make effective and rational decisions. The “CIPFA knowledge and skills framework (2010)” provides a framework for the training and development of members/observers with the objective of improving knowledge and skills in all relevant areas of the activity of a Pensions Board.

## **2. ALTERNATIVE OPTIONS**

- 2.1 No alternatives

## **3. DETAILS OF REPORT**

- 3.1 The Pension Fund recognises the importance of training of Committee members, Board members and officers in relation to Pension Fund matters. The Fund’s Governance Policy Statement refers to the Fund’s current policy with regard to training. Also the Annual Report and Statement of Accounts for the Fund include a statement setting out governance compliance against the Myners effective decision making principle.
- 3.2 Arrangements for regular training of members and officers are in place, with training delivered through a number of means including: online training on the Pension Regulator website; external seminars and events (in person or via video conference); training delivered as Committee agenda items; and other briefings and research material.
- 3.3 The CIPFA Code of Practice on Public Sector Pensions Finance Knowledge and Skills, and CIPFA’s supporting Framework and guidance documentation was formally adopted by the Pensions Committee in November 2013 and adopted by Pensions Board in July 2016.
- 3.4 Following the introduction of the Public Service Pensions Act 2013 the Pensions Regulator has outlined the legal requirements for individual Pension Board members to have the correct level of knowledge and understanding to undertake their role. The training policy with regards to Pension Board members is addressed separately in this document.

### **The CIPFA Code and Framework**

- 3.5 In order to ensure all members and officers involved in Pension Fund decisions are adequately trained, CIPFA has developed a Public Sector Pensions Knowledge and Skills Framework to support the Code. The Code and Framework are seen as supporting the requirements of the Public Sector Pensions Act 2013 and Pension Regulator code.
- 3.6 The CIPFA Framework supporting the Code of Practice is intended to have two primary uses:

- i) as a tool for organisations to determine whether they have the right skill mix to meet their scheme financial management needs,
  - ii) as an assessment tool for individuals to measure their progress and plan their development.
- 3.7 The Framework sets out 6 core areas of knowledge and skills for those involved in LGPS pensions finance (both members and officers):
- i) pensions legislative and governance context
  - ii) pensions accounting and auditing standards
  - iii) financial services procurement and relationship management
  - iv) investment performance and risk management
  - v) financial markets and products knowledge
  - vi) actuarial methods, standards and practices
- 3.8 An extract of the competency assessment for members has been included with this report at Appendix 1 and is further described at section 3.14 - 3.16.
- 3.9 The CIPFA Framework recognises that all LGPS Funds will differ, and each fund will wish to adapt the framework to suit their own requirements e.g. not all funds will be of a size, or take an investment approach, whereby all activities and knowledge are in-house. The framework acknowledges that some Funds will choose to access certain types of expertise from external sources such as investment managers and investment advisers.
- 3.10 The key recommendations of the Code and Framework are:
- i) Formal adoption of the CIPFA Framework as the basis for training and development of members and officers involved in Pension Fund finance matters.
  - ii) Disclosure within the Pension Fund Annual Report and Financial Statements how the framework has been applied, what assessment of training needs has been undertaken, and what training has been delivered against the identified training needs.

Tower Hamlets Pension Fund complies with both of these recommendations.

### **Training Policy**

- 3.11 Training needs will be assessed using the structure of the 6 core knowledge and skills areas set out at paragraph 3.7 Training needs assessment and delivery will be based upon a group (Committee and Board) and individual (member/officer) approach.

### **Group Needs and Training**

- 3.12 It is likely that most aspects of training will be delivered on a group basis, either at Committee and Board or through separate events to which all members will have the opportunity to attend. For this type of training, the training programme and assessment of needs will be based on a consideration of; new developments and legislation, topical/live issues, as well as member feedback and specific requests for training.
- 3.13 Group training will be delivered through a variety of mediums including:

- provided directly at Pensions Committee and Board through reports and presentations.
- specific training sessions/conferences/seminars/visits, provided by e.g. Council officers, investment managers, investment advisors, national bodies such as Chartered Institute of Public Finance and Accountancy (CIPFA), National Association of Pensions Funds Ltd (NAPF), The Pensions Regulator (TPR), etc.
- provision of and reading of relevant material e.g. research, briefing papers, website content, industry magazines, etc.

### **Individual Needs and Training**

- 3.14 To further support the identification of training needs, and recognising some individuals may have specific requirements the CIPFA Framework provides for self-assessment to identify training needs.
- Appendix 1 provides further details of the 6 core competencies and members are asked to review this to self-assess any personal knowledge and skills requirements they feel they may have.
  - And for officers this will be part of the Council's Employee Review and Development (PDR- personal development review) process to identify any specific individual officer training needs.
- 3.15 Having reviewed these learning assessment tools, members may wish to approach the Investment & Treasury Manager to discuss any individual queries or training needs they may have identified. It is important that members appreciate that an in-depth understanding of all the core knowledge areas is neither assumed nor necessary. In many cases what the framework expects is only an understanding or awareness of the area, and knowledge of where more detailed knowledge could be sought e.g. members are not necessarily expected to have in depth knowledge of a matter, but a general awareness of the issue and understanding of where they might source further information if required.
- 3.16 Following the meeting, officers will follow up with members to capture feedback from the self-assessment process. An annual report on training will be considered by the Pensions Committee and Board in future, to ensure that training needs are regularly assessed and training arrangements developed.

### **Pension Board**

- 3.17 The Pension Board has been established from 1 April 2015 under the provisions of section 5 of the Public Service Pensions Act 2013 and regulation 106 of the LGPS Regulations 2013.
- 3.18 The regulations require that pension board members must meet certain legal requirements that relate to their knowledge and understanding. Members must:
- i) have a working knowledge of the scheme rules and of any policy document for the scheme
  - ii) have knowledge and understanding of the law relating to pensions
- 3.19 The Pension Regulator and CIPFA have produced material to assist with training needs assessment and the acquisition of the identified knowledge and

skills and are described in the following sections. Pension Board members should take advantage of either or both of these learning resources, if required, to help ensure the attainment of the appropriate level of knowledge and understanding.

- 3.20 Following the meeting, officers will follow up with members to capture feedback from the self-assessment process. An annual report on training will be considered by the Pensions Committee and Board in future, to ensure that training needs are regularly assessed and training arrangements developed.

### **The Pensions Regulator**

- 3.21 The Pensions Regulator is the UK regulator of work-based pension schemes. The Pensions Regulator works with trustees, employers, pension specialists and business advisers, giving guidance on what is expected of them.
- 3.22 The principal aim of the Pension Regulator is to prevent problems from developing. The Regulator uses their powers flexibly, reasonably and appropriately, with the aim of putting things right and keeping schemes, and employers on the right track for the long term.
- 3.23 The Pensions Regulator also provides training resources. On the Pension Regulator website there is a learning assessment tool available which is a useful resource to help Pension Board members identify any training requirements. <http://www.thepensionsregulator.gov.uk/public-service-schemes/knowledge-and-understanding-duty-on-board-members.aspx>
- 3.24 The Pensions Regulator also provides a free online learning programme called the Public Service toolkit which Pension Board members should complete; <https://education.thepensionsregulator.gov.uk/login/index.php>. These resources are freely available to all members and officers.

### **CIPFA: Local Pension Boards A Technical Knowledge and Skills Framework (TKSF)**

- 3.25 This TKSF has been developed as following the introduction of the Public Pensions Act 2013. This is an extension of the previous CIPFA Knowledge and Skills framework (para 3.5) which had to be revised to include specific reference to the knowledge and skills required by Pension Board Members.
- 3.26 TKSF is intended to have two primary uses:
- i) as a tool to help organisations establish and maintain policies and arrangements for acquiring and retaining knowledge and understanding to support their pension board members.
  - ii) as an assessment tool for individuals to measure their progress and plan their development in order to ensure that they have the appropriate degree of knowledge and understanding to enable them to properly exercise their functions as a member of a pension board
- 3.27 The TKSF covers eight key areas:
- i) Pensions Legislation
  - ii) Pensions Governance
  - iii) Pensions Administration

- iv) Pensions account and auditing standards
  - v) Pensions services procurement and relationship management
  - vi) Investment performance and risk management
  - vii) Financial markets and products knowledge
  - viii) Actuarial methods standards and practices.
- 3.28 This framework will be formally adopted by the fund to assist with planning and monitoring training for Pension Board members.
- 3.29 Tower Hamlets Council members can register on the CIPFA website (<http://www.cipfa.org/>) to download copies of the whole framework document or can contact the Investment & Treasury Manager for assistance in accessing a copy of the framework.
- 3.30 Appendix 2 provides a copy of the Self-Assessment Matrix from this framework. Pension Committee members may consider referencing this to identify any training requirements.
- 3.31 A very short training session to ensure that all Members and Observers of the Pensions Committee have an understanding of the roles, responsibilities and statutory documents of the fund would be held on 24<sup>th</sup> July 2018 at the first meeting of the Committee for this municipal year.
- 3.32 Details of further training to be delivered will be recorded by officers, and will be used for annual disclosure within the Pension Fund Annual Report, in line with the CIPFA framework expectations.

#### **Training Programme 2019/20**

- 3.33 The following training programme is proposed for the remainder of the 2019/20 financial.

Date	Event and Core Knowledge & Skills Areas Covered	Potential Attendees
July - March	AON / CIPFA Pension Network Workshop <ul style="list-style-type: none"> <li>• Pensions legislative &amp; governance context</li> <li>• Pensions Accounting and Audit Standards</li> <li>• Investment performance/risk management</li> <li>• Financial markets &amp; products knowledge</li> <li>• Actuarial methods, standards &amp; practices</li> </ul>	All
September	Presentation on Infrastructure <ul style="list-style-type: none"> <li>• Financial markets &amp; products knowledge</li> </ul>	All
July - March	LGA / Pension Fund Actuary & Investment Consultant training sessions <ul style="list-style-type: none"> <li>• Triennial Valuation</li> <li>• Investment Strategy</li> </ul>	All
July	Fund Managers Training seminars	All

March	<ul style="list-style-type: none"> <li>• Investment performance/risk management</li> <li>• Financial markets &amp; products knowledge</li> </ul>	
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- 3.34 The training programme can be revised going forward based on member feedback and any additional training requirements emerging from discussion of this report and self-assessment of needs (para 3.16 and 3.20).
- 3.35 An updated training programme for 2020/21 will be brought back to a future Committee meeting.

**4. COMMENTS OF THE CHIEF FINANCE OFFICER**

- 4.1 This report details the pension fund commitment to training and training plan for 2019/20. There are no specific financial implications arising from this report and any costs associated with delivering training to the Board members and officers will be met by the pension fund.

**5. LEGAL COMMENTS**

- 5.1 Whilst there are no immediate legal consequences arising from this report it is important that members are trained appropriately so that decisions are made from a sound knowledge base thereby minimising the risk of any legal challenge.
- 5.2 When carrying out its functions, the Council must have due regard to the need to eliminate unlawful conduct under the Equality Act 2010, the need to advance equality of opportunity and the need to foster good relations between persons who share a protected characteristic and those who don't (the public sector duty).

**6. ONE TOWER HAMLETS CONSIDERATIONS**

- 6.1 The employer's contribution is a significant element of the Council's budget and consequently any improvement in investment performance will reduce the contribution and increase the funds available for corporate priorities.
- 6.2 A viable pension scheme also represents an asset for the recruitment and retention of staff to deliver services to the residents.

**7. BEST VALUE (BV) IMPLICATIONS**

- 7.1 This report helps in addressing the required knowledge and skills needed for Members to understand the duties and responsibilities of a trustee and how best to fulfil these effectively, efficiently and in accordance with regulatory requirements.

**8. SUSTAINABLE ACTION FOR A GREENER ENVIRONMENT**

- 8.1 There is no Sustainable Action for A Greener Environment implication arising from this report.

**9. RISK MANAGEMENT IMPLICATIONS**

- 9.1 Any form of decision making process inevitably involves a degree of risk.

9.2 Effective training and development will help Members to gain sufficient knowledge and skills necessary to make appropriate decisions in minimising risk associated with their roles and responsibilities.

## **10. CRIME AND DISORDER REDUCTION IMPLICATIONS**

10.1 There are no crime and disorder reduction implications arising from this report.

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### **Linked Reports, Appendices and Background Documents**

#### **Linked Report**

- [None]

#### **Appendices**

Appendix 1 - CIPFA Knowledge and Skills Framework for Members

Appendix 2 - Self-Assessment Matrix

#### **Local Government Act, 1972 Section 100D (As amended)**

#### **List of “Background Papers” used in the preparation of this report**

Pensions Finance, knowledge and skills framework, Technical Guidance for Elected Representatives and Non-executives in the Public Sector, CIPFA (2010)

Investment decision making and disclosure in the Local Government Pension Scheme, A Guide to the Application of the Myners Principles, CIPFA (2009)

#### **Officer contact details for documents:**

- Bola Tobun Investment & Treasury Manager x4733

## Appendix 1

### CIPFA Knowledge and Skills Framework for Members of Pension Committees

#### Core Areas:

#### 1. Pensions Legislative and Governance Context

##### ***General Pensions Framework***

A general awareness of the pensions legislative framework in the UK.

Scheme-specific legislation

- An overall understanding of the legislation specific to the scheme and the main features relating to benefits, administration and investment.
- An awareness of the Local Government Pension Scheme (Benefits, Membership and Contributions) Regulations 2007 and Local Government Pension Scheme (Administration) Regulations 2008 and their main features.
- An appreciation of LGPS discretions and how the formulation of the discretionary policies impacts on the pension fund, employers and local taxpayers.
- A regularly updated appreciation of the latest changes to the scheme rules.
- Knowledge of the role of the administering authority in relation to LGPS.

##### ***Pensions regulators and advisors***

An understanding of how the roles and powers of the Pension Regulator, the Pensions Advisory Service and the Pensions Ombudsman relate to the workings of the scheme.

##### ***General constitutional framework***

- Broad understanding of the role of pension fund committees in relation to the fund, administering authority, employing authorities, scheme members and taxpayers.
- Awareness of the role and statutory responsibilities of the treasurer and monitoring officer.

##### ***Pensions scheme governance***

- An awareness of the LGPS main features.
- Knowledge of the Myners principles and associated CIPFA and Society of Local Authority Chief Executives (SOLACE) guidance.
- A detailed knowledge of the duties and responsibilities of committee members.
- Knowledge of the stakeholders of the pension fund and the nature of their interests.
- Knowledge of consultation, communication and involvement options relevant to the stakeholders.

#### 2. Pensions Accounting and Standards

- 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.

**Appendix 2 Local Pension Boards: A Technical Knowledge and Skills Framework: Learning needs analysis and training requirements**

Do I possess...?	Rate my skills 1 – no knowledge 5 – highly skilled	Training requirements	Training plan (sources and timing)
<b>1 – Pensions legislation</b>			
A general understanding of the pensions legislative framework in the UK.	1 2 3 4 5		
An overall understanding of the legislation and statutory guidance specific to the scheme and the main features relating to benefits, administration and investment.	1 2 3 4 5		
An appreciation of LGPS discretions and how the formulation of the discretionary policies impacts on the pension fund, employers and local taxpayers.	1 2 3 4 5		
A regularly updated appreciation of the latest changes to the scheme rules.	1 2 3 4 5		
<b>2 – Pensions governance</b>			
Knowledge of the role of the administering authority in relation to the LGPS.	1 2 3 4 5		
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.	1 2 3 4 5		
Knowledge of the role of the Scheme Advisory Board and how it interacts with other bodies in the governance structure.	1 2 3 4 5		
A broad understanding of the role of pension fund committees in relation to the fund, the administering authority, employing authorities, scheme members and taxpayers.	1 2 3 4 5		
An awareness of the role and statutory responsibilities of the treasurer and monitoring officer.	1 2 3 4 5		

**Appendix 2 Local Pension Boards: A Technical Knowledge and Skills Framework: Learning needs analysis and training requirements**

Do I possess...?	Rate my skills 1 – no knowledge 5 – highly skilled	Training requirements	Training plan (sources and timing)
Knowledge of the Myners principles and associated CIPFA and SOLACE guidance.	1 2 3 4 5		
A detailed knowledge of the duties and responsibilities of pension board members.	1 2 3 4 5		
Knowledge of the stakeholders of the pension fund and the nature of their interests.	1 2 3 4 5		
Knowledge of consultation, communication and involvement options relevant to the stakeholders.	1 2 3 4 5		
Knowledge of how pension fund management risk is monitored and managed.	1 2 3 4 5		
An understanding of how conflicts of interest are identified and managed.	1 2 3 4 5		
An understanding of how breaches in law are reported.	1 2 3 4 5		
<b>3 – Pensions administration</b>			
An understanding of best practice in pensions administration eg performance and cost measures.	1 2 3 4 5		
Understanding of the required and adopted scheme policies and procedures relating to: <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>	1 2 3 4 5		

**Appendix 2 Local Pension Boards: A Technical Knowledge and Skills Framework: Learning needs analysis and training requirements**

Do I possess...?	Rate my skills 1 – no knowledge 5 – highly skilled	Training requirements	Training plan (sources and timing)
Knowledge of how discretionary powers operate.	1 2 3 4 5		
Knowledge of the pensions administration strategy and delivery (including, where applicable, the use of third party suppliers, their selection, performance management and assurance processes).	1 2 3 4 5		
An understanding of how the pension fund interacts with the taxation system in the UK and overseas in relation to benefits administration.	1 2 3 4 5		
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.	1 2 3 4 5		
<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.	1 2 3 4 5		
An understanding of the role of both internal and external audit in the governance and assurance process.	1 2 3 4 5		
An understanding of the role played by third party assurance providers.	1 2 3 4 5		
<b>5 – Pensions services procurement and relationship management</b>			
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.	1 2 3 4 5		

Appendix 2 Local Pension Boards: A Technical Knowledge and Skills Framework: Learning needs analysis and training requirements

Do I possess...?	Rate my skills 1 – no knowledge 5 – highly skilled	Training requirements	Training plan (sources and timing)
A general understanding of the main public procurement requirements of UK and EU legislation.		1 2 3 4 5	
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.		1 2 3 4 5	
An understanding of how the pension fund monitors and manages the performance of their outsourced providers.		1 2 3 4 5	
<b>6 – Investment performance and risk management</b>			
An understanding of the importance of monitoring asset returns relative to the liabilities and a broad understanding of ways of assessing long-term risks.		1 2 3 4 5	
An awareness of the Myners principles of performance management and the approach adopted by the administering authority.		1 2 3 4 5	
Awareness of the range of support services, who supplies them and the nature of the performance monitoring regime.		1 2 3 4 5	