


Non-Executive Report of the: Pensions Board 1 st October 2015	 TOWER HAMLETS
Report of: Zena Cooke, Corporate Director of Resources	Classification: Unrestricted
Training and Development For Members	

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

Summary

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

The report explains the requirement for good governance of the Pension Fund and the framework of legislation, regulation and guidance which the Fund must comply with and that therefore there is a need for a formal training programme for Members of the Pensions Board.

The report also refers to 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)”) This provides a framework for the training and development of Elected Members and other representatives on public sector pension scheme decision making bodies such as the Tower Hamlets Pensions Board.

Recommendations:

Members are recommended to agree:

- (a) That the CIPFA “Pensions Finance, knowledge and skills framework, Technical Guidance for Elected Representatives and Non-executives in the Public Sector” (2010) is adopted as the basis for its training and development programme
- (b) That a proposed schedule of training and development is prepared and presented at the next meeting of the Pensions Board.

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 The Board could base its approach to training on the Training Policy approved and adopted by the current Pensions Committee. The adoption of the CIPFA knowledge and skills framework (2010) however indicates that the Board is following national guidance on the content of training for Board Members and Observers.

3. DETAILS OF REPORT

- 3.1 The Local Government Pension Scheme operates within a statutory and regulatory framework which includes the Superannuation Act 1972 and various statutory instruments including the Local Government Pension Scheme (Administration) Regulations 2008 (as amended) and the Local Government Pension Scheme (Management and Investment of Funds) Regulations 1998 (as amended). The department for Communities and Local Government (CLG) which is the government department responsible for the Local Government Pension scheme and CIPFA have also issued codes and guidance in respect of the scheme. The CLG Local Government Pension Scheme Governance Compliance Statements Statutory Guidance (2008) sets out nine principles for the governance of schemes including training.
- 3.2 In 2000 the government commissioned a review of investment management in the United Kingdom led by Paul Myners (now Lord Myners). Arising from Paul Myners’ report the government issued a set of ten investment principles in 2001. In 2002 the Local Government Pension Scheme (Management and Investment of Funds) Regulations 1988 were amended to require Local Government Pension Scheme Funds to report against these “Myners” principles.
- 3.3 In 2007 the government reviewed the “Myners” principles and in 2008 published a new set of six investment principles. These have now been reviewed and amplified in the context of the Local Government Pension Scheme by a group involving the department for Communities and Local Government, CIPFA and other stakeholders.
- 3.4 Principle 1 of the six revised “Myners” Principles is “Effective decision making” which states that in the context of the Local Government Pension Scheme it

should be ensured 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 that “ those persons or organizations have sufficient expertise to be able to evaluate and challenge the advice they receive, and manage conflicts of interest.

3.5 EXISTING TRAINING AND DEVELOPMENT FOR PENSION FUND COMMITTEE MEMBERS AND OBSERVERS

- 3.5.1 The current Pensions Committee agreed a Training Policy. Since the approval of the Training Policy, training has been provided in the form of presentations to the entire Committee and through opportunities for individuals to attend training courses such as those provided by the Local Government Employers’ organisation.
- 3.5.2 The training provided by the Tower Hamlets and other Local Government Pension Funds in recent years has improved the knowledge and skills of those who serve on decision making bodies responsible for the Local Government Pension Scheme.
- 3.5.3 However there has been a lack of an agreed definition of the knowledge and skills that those who serve on such decision making bodies require. This deficiency has however now been addressed by the local authority accountancy body CIPFA in one of its publications “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)”

3.6 THE CIPFA KNOWLEDGE AND SKILLS FRAMEWORK

- 3.6.1 As the CIPFA knowledge and skills framework states, a great deal of work has been done in recent years to address the provision of training to those who serve on decision-making bodies. However in the absence of any detailed definition of what knowledge and skills are actually required to carry out a particular role, it is difficult to ascertain whether training is truly effective.
- 3.6.2 Therefore in an attempt to determine the right skill set for Pensions Committee/Board Members/Observers CIPFA has developed a technical knowledge and skills framework which is intended to have two primary uses:
- As a tool for organisations to determine whether they have the right skill mix to meet their scheme financial management needs
 - As an assessment tool for individuals to measure their progress and plan their development
- 3.6.3 There are six areas of knowledge and skills CIPFA has identified as the core technical requirements relating to those involved in decision making. They are:
- Pension’s legislative and governance context
 - Pension’s accounting and auditing standards

- Financial Services procurement and relationship management
- Investment performance and risk management
- Financial markets and products knowledge
- Actuarial methods, standards and practices

3.6.4 The main issues covered in each of the six areas listed above are set out in Appendix 1.

3.6.5 At present the status of the CIPFA knowledge and skills framework is persuasive rather than mandatory. However CIPFA states that it understands the CLG is considering whether to amend the Local Government Pension Scheme (Administration) Regulations to require funds to include in their Annual Report a statement on whether they have adopted the CIPFA knowledge and skills framework as a basis for the training and development of those involved in pension scheme finances. In the interim the CIPFA Pensions Panel recommends that, as demonstration of good practice, users of the framework make a voluntary disclosure in their pension scheme Annual Reports that covers:

- How the framework has been applied
- What assessment of training needs has been undertaken
- What training has been delivered against the identified training needs

3.6.6 To help organisations achieve the standards set down in the framework, CIPFA is in the process of developing a repository of knowledge sources and knowledge and skills self-assessment tool to provide a web based tool for testing and extending the knowledge of an individual.

3.6.7 A very short training session to ensure that all Members and Observers of the Pensions Board have an understanding of the roles, responsibilities and statutory documents of the fund has been held on 31st July 2015 at the first meeting of the Board.

4. COMMENTS OF THE CHIEF FINANCE OFFICER

4.1 The comments of the Corporate Director, Resources are incorporated in the report

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.

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.

Linked Reports, Appendices and Background Documents

Linked Report

- [None]

Appendices

PENSIONS KNOWLEDGE AND SKILLS FRAMEWORK FOR PENSIONS BOARD MEMBERS

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

PENSIONS KNOWLEDGE AND SKILLS FRAMEWORK FOR PENSIONS BOARD MEMBERS

Core technical areas and areas of knowledge

Legislative and governance framework

- General pensions framework
- Scheme-specific legislation for LGPS
- Pensions regulators and advisors
- Constitutional framework for pension fund Boards within administering authorities
- Pension scheme governance

Accounting and auditing standards

- Accounts and Audit regulations
- Role of internal and external audit

Procurement of financial services and relationship management

- Procurement requirements of UK and EU legislation
- Supplier risk management

Investment performance and risk management

- Monitoring of investment performance
- Performance of advisors
- Performance of the Pensions Board
- Performance of support services

Financial markets and investment products

- Investment strategy
- Financial markets
- Regulatory requirements regarding investment products

Actuarial methods, standards and practices

- Valuations, funding strategy and inter-valuation monitoring
- Ill-health and early retirement
- Admitted bodies
- Outsourcing and bulk transfers