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| Non-Executive Report of the: Pensions Committee 9 th March 2016 |  TOWER HAMLETS |
| Report of: Zena Cooke, Corporate Director of Resources | Classification: Unrestricted |
| Training and Development Policy and CIPFA Guidance For Members | |

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

Summary

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), the Pensions Regulator (TPR) and legislation and CIPFA has now published A Technical Knowledge and Skills Framework for local Pension Boards.

This report seeks the Pensions Committee to agree the updated Training and Development Policy which now includes the new CIPFA guidance for local Pension Boards, for the London Borough of Tower Hamlets Pension Fund, which will apply to all Pensions Committee, Pension Board and senior officers responsible for managing the Fund. Members of the Pensions Board are asked to attend the training sessions provided to Pensions Committee and also a wider programme of training.

Recommendations:

The Pensions Committee is recommended to:

- i) Approve and adopt the updated Training and Development Policy for the London Borough of Tower Hamlets Pension Fund and
- ii) Note the need for each Pensions Committee Member, Pension Board Member and senior officer to adhere to the Training and Development Policy and maintain the required level of knowledge and skills.

1. REASONS FOR THE DECISIONS

- 1.1 The responsibilities for the Pension Fund are complex and varied covering the whole spectrum of investments, administration and financial management. Training in all aspects of the Pension Fund and understanding the factors that will impact on the Fund mean that those charged with governance will be able to undertake effective decision making, including having an understanding of the financial impact of such decisions.
- 1.2 An approved transparent training and development policy will ensure those persons charged with governance and management of the Pension Fund understand what is expected of them as well as meeting with good practice. Any costs associated with delivering this Policy are immaterial in the context of the Pension Fund as many of the training sessions are provided free of charge or the costs are minimal. Any such costs are recharged to the Pension Fund.

2. ALTERNATIVE OPTIONS

- 2.1 There are no alternatives.

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 In recent years much greater focus has been placed on the need for administering authorities to embrace the requirement for a high level of knowledge and skills in the management of LGPS Funds and it has issued a Codes of Practice and Framework which can be adopted.
- 3.6 In accordance with the Public Service Pensions Act 2013 (PSPA) for each administering authority in the LGPS to introduce a Pension Board to assist the Scheme Manager, in this case the London Borough of Tower Hamlets Pensions Board members are legally required to have knowledge and understanding of pension scheme matters at a level that will allow them to properly exercise the functions of their role.
- 3.7 It remains possible that this legal requirement will be extended in future to cover LGPS Pension Fund Committee members. These requirements are also expanded on as part of The Pension Regulator's Public Sector Code of Practice along with the CIPFA Technical Knowledge and Skills Framework for local Pension Boards. The Training and Development Policy outlines how this level of knowledge will be achieved and maintained and has been updated since the original policy was agreed by the Pensions Board at its first meeting to reflect the additional CIPFA Guidance.

London Borough of Tower Hamlets Pension Fund Training and Development Policy

- 3.8 The updated Training and Development Policy details the training strategy for members of the Pensions Board, Pensions Committee and senior officers responsible for the management of the Fund. The updated Training and Development Policy has been created to provide a formal framework and greater transparency on the training regime in accordance with the national requirements. It will aid existing and future Pensions Committee Members, Pension Board Members and senior officers in their personal development and performance in their roles, providing a structure which will ensure that the Pension Fund is managed by individuals who have the appropriate levels of knowledge and skills. The updated training and development policy is set out in Appendix 1 of this report.
- 3.9 The Pensions Board are now being asked to formally adopt the updated Training and Development Policy of the London Borough of Tower Hamlets Pension Fund and to note the need for them individually and as a Board to undertake training in order to ensure that they are able to meet the requirements of being fully trained members of the Pensions Board.
- 3.10 As a reminder Pension Board Members can find more information about their role as Board Members on the Pensions Regulator's (TPR) website, please see link to relevant area: <http://www.thepensionsregulator.gov.uk/public-serviceschemes.aspx>. TPR states that: 'The law requires you to have knowledge and understanding of relevant pensions' law, and to have a working knowledge of your scheme regulations and documentation. Your responsibilities begin from the day you first take up your post, so you should start to familiarise yourself with the scheme documents and regulations as

soon as possible. Finding time to gain this knowledge may be a challenge, but you will need to do so in order to meet the legal requirement and carry out your role.' the Pensions Board are asked to log onto TPR's public sector toolkit <https://education.thepensionsregulator.gov.uk/login/index.php> and to avail themselves of this training module and to aim to complete over time all the areas covered by the toolkit and to keep records of the successful completion of the toolkit sections. Board Members are also asked to notify the Investment & Treasury Manager of completed modules to enable an up to date ongoing individual training record to be maintained, which will also be covered in an annual report of the Pensions Board to demonstrate compliance with the Regulations and TPR Code of Practice.

3.11 As noted earlier, CIPFA has now also issued the Technical Knowledge and Skills Framework for local Pension Boards and this is attached as Appendix 2 to this report. This sets out the purpose, scope and status of the guidance along with the policy and legislative background. Referencing Key Skills required is broken down in to the following sections:

- i) Pensions Legislation
- ii) Public Sector Pensions Governance
- iii) Pensions Administration
- iv) Pensions Accounting and Auditing Standards
- v) Pensions Services Procurement and Relationship Management
- vi) Investment Performance and Risk Management
- vii) Financial Markets and Product Knowledge
- viii) Actuarial Methods, Standards and Practices

3.12 Pension Board Members, Pensions Committee Members and senior officers will continue to be provided with ongoing opportunities to attend training events to assist them in adhering to the policy.

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 Members of the Pensions Board are required by the Local Government Pension Scheme (Amendment) (Governance) Regulations 2014 to have the relevant experience and capacity to represent members of the Scheme. It is essential that members are trained appropriately so that decisions are made from a sound knowledge base thereby minimising the risk of any legal challenge. The Training and Development Policy should provide Members with the required level of knowledge and skills to carry out their functions of assisting the Administering Authority in the proper governance and administration of the Pension Fund and to ensure compliance with the relevant regulations and legislation.

- 5.2 When exercising their functions, Pension Board Members 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 do not (the public sector equality 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.

Linked Reports, Appendices and Background Documents

Linked Report

- [None]

Appendices

- Appendix 1 – LBTH Training & Development Policy
- Appendix 2 - CIPFA Knowledge and Skills Framework for Local Pension Board members 2015

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:

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