

Non-Executive Report of the:  <b>Pensions Board</b>  21 July 2020	 <b>TOWER HAMLETS</b>
<b>Report of:</b> Neville Murton, Corporate Director, Resources	<b>Classification:</b> Unrestricted
<b>Knowledge Assessment Results and Training Plan for Pensions Committee and Pension Board Members</b>	

<b>Originating Officer(s)</b>	Miriam Adams, Interim Pensions & Investment Manager
<b>Wards affected</b>	All wards

### Summary

This report sets out the result of the National Knowledge Assessment conducted by Hymans Robertson LLP. The findings of the report will assist the Fund in quantitative knowledge level of members of the Board and Committee and aid in the development of targeted and tailored training plans for members of the Pension Board and Committee.

The assessment covered the CIPFA Knowledge and Skills Framework and the Pensions Regulator's (TPR) Code of Practice 14.

### Recommendations:

The Board is asked to consider this report and to:

- a) Note the assessment report (Appendix 1);
- b) Note the results including the overall ranking of the Board and Pensions Committee against other participating LGPS funds;
- c) Note the suggested training plan picking out the key areas for development based on participant assessment results and the training requests; and
- d) Recommend that the agree the suggested training plan.

## **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 assessment and proposed training plan provide added support to Members of the Board and Committee with the objective of improving knowledge and skills in the relevant areas of the activity of both Committees.

## **2. ALTERNATIVE OPTIONS**

- 2.1 The Board can choose to continue with the CIPFA Knowledge and Skills Framework and TPR training tools, however this assessment and suggested targeted training are meant to complement existing resources.

## **3. DETAILS OF REPORT**

- 3.1 In recent years there has been a marked increase in the scrutiny of public service pension schemes including the LGPS. The Public Service Pensions Act 2013 introduced new governance legislation, including the requirement for Local Pension Boards to be set up and extended the remit of the Pensions Regulator to public service schemes as set out in its Code of Practice 14.

Additionally, the Ministry of Housing, Communities and Local Government (MHCLG) and the Scheme Advisory Board (SAB) have emphasised the need for the highest standards of governance in the LGPS. This includes ensuring that all involved in the governance or public sector funds can evidence that they have the knowledge, skills and commitment to carry out their role effectively.

- 3.2 The introduction of Markets in Financial Instruments Directive II (MIFID II) in January 2018 REQUIRED Committee members to evidence their knowledge in order to be treated as professional investors. Also, in 2019 the SAB began the review of governance arrangements for LGPS funds. This project termed 'Good Governance' addressed stakeholder knowledge and skills. A clear recommendation of the Good Governance project is that the knowledge levels already statutorily required by Board members should also be required of Committee members. These recent events reaffirm that LGPS funds should evidence training provided and current knowledge and understanding levels retained within the Committee and Board.
- 3.3 In keeping with the theme of increased external scrutiny and the need for evidence, it is important not only that the Committee and Board can demonstrate the steps taken to facilitate their knowledge. This report serves as part of the training evidence for both groups.

3.4 All Members of the Board and Committee including subs Members were invited to complete an online knowledge assessment. 2 respondents from the Pensions Committee and 5 from the Board participated. Each respondent was given 47 questions on the 8 areas below;

- Committee role and pensions legislation
- Pensions governance
- Pensions administration
- Pensions accounting and audit standards
- Procurement and relationship management
- Investment performance and risk management
- Financial markets and product knowledge
- Actuarial methods, standard and practices

### **Overall Results**

3.5 the Tower Hamlets Fund ranked 6<sup>th</sup> out of 18 Funds. The Board average score was 68.51% while the Committee average score was 59.57%. The Committee performed better in investment performance and financial matters. Both the Board and Committee demonstrated a good spread of knowledge.

### **Benchmarking**

3.6 As this assessment was conducted at national level across several LGPS funds, the results of both the Committee and Board combined was compared against other LGPS funds. Overall the results were positive

### **Group Needs and Training**

3.7 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.

3.8 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**

3.9 To further support the identification of training needs and recognising some individuals may have specific requirements.

### **Next Steps**

3.10 Based on the results it is suggested that there should be consideration to the following:

- Setting up of structured training plan for the next 18 months covering the main areas covered in the report.
- Agree that a plan for the delivery of training over a 6-month period while lock down restrictions might continue should be the initial step.

### **Suggested Training Programme 2020/21**

3.11 The suggested training programme following the assessment and training request is below:

Date	Event and Core Knowledge & Skills Areas Covered	Potential Attendees
Sep – Dec 20	<ul style="list-style-type: none"> <li>• The impact of COVID-19 on the Fund</li> <li>• Pensions administration</li> </ul>	All
Jan – Mar 21	<ul style="list-style-type: none"> <li>• Pensions Governance</li> <li>• ESG</li> </ul>	All
Apr – Jun 21	<ul style="list-style-type: none"> <li>• Pension governance and good governance</li> <li>• Investment performance &amp; risk management</li> <li>• Actuarial methods</li> </ul>	All
July – Sept 21	<ul style="list-style-type: none"> <li>• Procurement</li> <li>• Relationship management</li> </ul>	All
Oct – Dec 21	<ul style="list-style-type: none"> <li>• Valuation training – purpose, roles, outcomes</li> </ul>	

3.12 The training programme can be revised going forward based on member feedback and any additional training requirements emerging from discussion of this report will be added.

3.13 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 2020/21 and 202/21. 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.

#### **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 – Hymans Robertson National Knowledge Assessment Report

**Local Government Act, 1972 Section 100D (As amended)**  
**List of “Background Papers” used in the preparation of this report**  
None

**Officer contact details for documents:**

Miriam Adams, Interim Pensions & Investment Manager

Tel: 0207 3644248

Email: [miriam.adams@towerhamlets.gov.uk](mailto:miriam.adams@towerhamlets.gov.uk)