

**PENSIONS COMMITTEE  
22 JUNE 2018****WORCESTERSHIRE COUNTY COUNCIL PENSION FUND  
TRAINING FOR PENSIONS COMMITTEE MEMBERS**

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**Recommendation**

1. **The Chief Financial Officer recommends that the Committee:**
  - (a) **Review and approve a Joint Training Policy for the Pensions Committee and the Local Pension Board;**
  - (b) **Agree that over the summer of 2018 all members of the Committee, along with appropriate Administration officers complete the self-assessment questionnaires set out at Appendix 3. This will be used to inform consideration of further topics for training to be considered at the September Committee;**
  - (c) **Consider any proposed training event being developed for funds in the LGPS Central Pool and provide views on how this may fit into the Fund's overall training programme;**
  - (d) **Consider the attendance of other councillors at training events; and**
  - (e) **Note the proposed topics for consideration at the training in September and consider further topics for consideration or future training events.**

**Reason for Recommendations**

2. **To ensure that an appropriate approach to training is in place that ensures strong governance of the Fund.**

**Purpose of Report**

3. **This report addresses the training requirements of the Pensions Committee.**

**Background**

4. **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.**
5. **It is understood that CIPFA is working on an update to the existing Frameworks.**

6. A separate Framework for local pension boards has been issued.
7. The Training Policy and Programme must also take account of:
  - the training requirements set out by 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**

8. Previously Board and Committee members, along with appropriate Administering Authority officers completed an annual knowledge and skills self-assessment form. The Committee completed one last August 2017 and the Pension Board completed theirs in December 2017. These have been used to prepare annual training plans and a log of training undertaken is maintained by the officers of the Fund. The annual training plans have included a programme of external and internal training events designed to meet the requirements both of new members of the committee and the ongoing needs of existing members. These events are reported formally to members on an annual basis. Individual reports to authorise attendance by members at these events are put to the Chief Financial Officer on an event by event basis.
9. The current Training Plan now needs updating and it is proposed that the Pension Committee and the Local Pension Board adopt a new joint Training Policy and operate a joint approach to the delivery of training. A draft suggested copy of the training policy is attached as an Appendix 2.
10. The Committee is asked to support self-assessments again being completed to inform a new training policy, a draft self-assessment is attached at Appendix 3. Based on completion an update Plan and Policy will be presented to Committee and Board in September suggesting a longer training plan.

## **CIPFA Framework**

11. The CIPFA Framework for a Pensions Committee is attached as Appendix 1. The Framework is intended to have two primary uses:
  - As a tool for organisations to determine whether the Committee has the right skill mix to meet their fund's financial management needs, and
  - As an assessment tool for individuals to measure their progress and plan their development.
12. 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.
13. The Framework 8 key areas are:

- Pensions Legislation
- Pensions Governance
- Pensions Administration
- Pensions account and auditing standards
- Pensions services procurement and relationship management
- investment performance and risk management
- financial markets and products knowledge
- Actuarial methods standards and practices.

14. 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**

15. The Fund's website will be updated over the next 12 months to ensure that it documents that set out the Fund's policies and working practices in its publicly accessible area.

16. The intention also is to ensure that there is a password protected area that is set up to hold training material and exempt and commercially sensitive documents.

## **Pensions Regulator Training Toolkit**

17. The Pensions Regulator has provided an on-line training resource to assist those involved with the public sector pension schemes. This is accessed via a "Trustee Toolkit" link on its website - [Link](#).

18. The Pensions Regulator also provides a free online learning programme called the Public Service toolkit, which anyone can register for - [Link](#). 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. 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.

19. The Regulator suggests that each module's tutorial should take no more than 30 minutes to complete.

20. 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.

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

### **Training Programme for 2018/19**

22. The diary for 2018/19 includes provision for two offsite training events which are to be delivered to the Committee and the Local Pension Board. Short training sessions may be included in the quarterly meetings. Induction and refresher sessions can be arranged, as required.

23. 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.

### **LGPC Central Pool – Members Training**

24. Discussions have taken place within the Central Pool about the delivery of a training programme for members of the Pensions Committee, in particular in relation to induction training. Members' views are sought on this approach and sharing of resources across the Pool partners and how this could fit in with the current training programme.

### **Training attendees**

25. It is suggested that the invites for all training is extended to other councillors. This helps with both the effective running of the Committee when substitutes attend, and shapes future options for Committee membership.

### **September 2018 Training**

26. It is proposed that training is carried out in September 2018 to commence a plan. Consideration has been given to the topics to be covered at the training. The topics that could be covered include:

- Investment pooling – An update on progress
- Joint working – An update on progress
- The role of the Pensions Regulator
- An overview of the main asset classes e.g. equities, bonds, private equity, trade finance, global property, infrastructure
- Private Debt.

27. Other topics that could be covered include either in September or at future sessions:

- Financial Markets
- De risking of the Investment Strategy
- Responsible Investment
- The Investment Regulations
- Corporate Governance and shareholder activism, including the Myners Principles
- Actuarial valuations

- Performance and risk management of a pension fund
- Administrative processes
- Additional Voluntary Contributions
- Demonstration of the proposed website developments and online functionality for scheme members
- knowledge of the duties and responsibilities of committee members
- Pension accounting and audit requirements

28. Committee is asked for its views on the format and content of the September training and to suggest any other topics for future training.

## **Contact Points**

### County Council Contact Points

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### Specific Contact Points for this report

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## **Supporting Information**

- Appendix 1 – CIPFA Knowledge and Skills Framework for Members of Pension Committees – core areas
- Appendix 2 - Worcestershire Pension Fund DRAFT Training Policy for the Pension Committee and Local Pension Board 2018 – 2021
- Appendix 3 - Draft Self-Assessment to inform future training

## **Background Papers**

In the opinion of the proper officer (in this case the Chief Financial Officer) there are no background papers relating to the subject matter of this report.

### 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 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.
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- Awareness of the role of both internal and external audit in the governance and assurance process.

## **3. Financial Services Procurement and Relationship Management**

### Understanding public procurement

- Understanding of the background to current public procurement policy and procedures, and of the values and scope of public procurement and roles of key decision makers and organisations.
- A general understanding of the main public procurement requirements of UK and EU legislation.

### Supplier risk management

- Awareness of the nature and scope of risks for the pension fund and of the importance of considering risk factors when selecting third parties.

## **4. Investment Performance and Risk Management**

### Total Fund

- Understanding of the importance of monitoring asset returns relative to the liabilities and a broad understanding of ways of assessing long-term risks.

### Performance of advisors

- Awareness of the Myners principles of performance management and the approach adopted by the Committee.

### Performance of the Committee

- Awareness of the Myners principles and the need to set targets for the Committee to report against them.

### Performance of support services

- Awareness of the range of support services, who supplies them and the nature of the performance monitoring regime.

## **5. Financial Markets and Products Knowledge**

### Investment Strategy

- Awareness of the risk and return characteristics of the main asset classes (equities, bonds, property).

- Understanding of the role of these asset classes in long-term pension fund investing.

#### Financial markets

- Understanding of the primary importance of the investment strategy decision.
- 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.
- An awareness of the limits placed by regulation on the investment activities of local government pension funds

### **6. Actuarial Methods, Standards and Practices**

#### Valuations

- Knowledge of the valuation process, including developing the funding strategy in conjunction with the fund actuary, and inter-valuation monitoring.
- Awareness of the importance of monitoring early and ill health retirement strain costs.
- A broad understanding of the implications of including new employers into the fund and of the cessation of existing employers.

#### Outsourcing

- A general awareness of the relevant considerations in relation to outsourcing and bulk transfers



**Worcestershire Pension Fund DRAFT Training Policy for the Pension Committee and Local Pension Board 2018 – 2021**

**Introduction**

Worcestershire County Council, as the administering authority for the Worcestershire 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 Council's CFO, who will act in accordance with the Council's practices and, where he/she is a CIPFA member, with CIPFA Standards of Professional Practice.

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.

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.

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.

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.”

The recommendations from the Myners Review were taken forward by the Pensions Act 2004, which the Fund has followed as best practice.

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.

The Training Policy and Programme takes account of the ongoing specific requirements of the Pension Committee and the Local Pensions Board.

### **Delivery of Training**

The training programme is based around training seminars being run throughout the year, with a minimum of four. Each lasting up to half a day minimum.

In addition to the seminars, extra half or one day sessions are arranged, as required.

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.

Training seminars and conferences that are offered by industry wide bodies are attended.

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.

Members receive mailings of relevant publications.

The Fund’s Officers are available to assist with each Member’s individual training requirements.

### **Training for New Members**

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.

In house induction sessions are available as required.

A new Member may also attend induction courses that are offered by the Fund’s investment managers.

### **Additional Training for the Investment Advisory Panel**

Four 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.

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**

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**

Members assess their own training needs against the programme that is available.

A log is maintained of training offered and undertaken.

A report on training is included in the Fund's Annual report and Accounts.

### **Arrangements for Review of the Policy and Programme**

The Policy is reviewed and updated at least annually.

The Committee and Board review the content and delivery of the training programme at each quarterly meeting.

## Draft Self-Assessment to inform future training

Do I possess...?	Rate my skills 1 – no knowledge 5 – highly skilled	Training requirements	Training plan (sources and timing)
<b>1 – Pensions legislation</b>			
<ul style="list-style-type: none"> <li>A general understanding of the pensions legislative framework in the UK.</li> </ul>	1 2 3 4 5		
<ul style="list-style-type: none"> <li>An overall understanding of the legislation and statutory guidance specific to the scheme and the main features relating to benefits, administration and investment.</li> </ul>	1 2 3 4 5		
<ul style="list-style-type: none"> <li>An appreciation of LGPS discretions and how the formulation of the discretionary policies impacts on the pension fund, employers and local taxpayers.</li> </ul>	1 2 3 4 5		
<ul style="list-style-type: none"> <li>A regularly updated appreciation of the latest changes to the scheme rules.</li> </ul>	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		

Do I possess...?	Rate my skills 1 – no knowledge 5 – highly skilled	Training requirements	Training plan (sources and timing)
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.			
<ul style="list-style-type: none"> <li>A broad understanding of the role of pension fund committees in relation to the fund, the administering authority, employing authorities, scheme members and taxpayers</li> </ul>	1 2 3 4 5		
<ul style="list-style-type: none"> <li>An awareness of the role and statutory responsibilities of the treasurer and monitoring officer</li> </ul>	1 2 3 4 5		
<ul style="list-style-type: none"> <li>Knowledge of the Myners principles and associated CIPFA and SOLACE guidance</li> </ul>	1 2 3 4 5		
<ul style="list-style-type: none"> <li>A detailed knowledge of the duties and responsibilities of pension board members</li> </ul>	1 2 3 4 5		
<ul style="list-style-type: none"> <li>Knowledge of the stakeholders of the pension fund and the nature of their interests</li> </ul>	1 2 3 4 5		
<ul style="list-style-type: none"> <li>Knowledge of consultation, communication and involvement options relevant to the stakeholders</li> </ul>	1 2 3 4 5		
<ul style="list-style-type: none"> <li>Knowledge of how pension fund management risk is monitored and managed</li> </ul>	1 2 3 4 5		
<ul style="list-style-type: none"> <li>An understanding of how conflicts of interest are identified and managed</li> </ul>	1 2 3 4 5		
<ul style="list-style-type: none"> <li>An understanding of how breaches in law are reported</li> </ul>	1 2 3 4 5		

Do I possess...?	Rate my skills 1 – no knowledge 5 – highly skilled	Training requirements					Training plan (sources and timing)
<b>3. Pension 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: • member data maintenance and record-keeping processes • internal dispute resolution • contributions collection • scheme communication and materials.	1	2	3	4	5		
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		

Do I possess...?	Rate my skills 1 – no knowledge 5 – highly skilled	Training requirements	Training plan (sources and timing)
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		
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		
An understanding of the various asset classes and investment opportunities, for example from Bonds to equities to currency hedging.	1 2 3 4 5		