

Report of the Section 151 Officer

Pension Fund Committee July 2nd 2015

TRUSTEE & PENSION FUND COMMITTEE TRAINING – CIPFA CODE OF PRACTICE PUBLIC SECTOR FINANCE KNOWLEDGE & SKILLS

Purpose:	To determine an annual training programme for Trustees and Officers of the Pension Fund
Policy Framework:	CIPFA Public Sector Pensions Finance Knowledge & Skills Code of Practice
Reason for Decision:	To ensure compliance with the CIPFA Public Sector Pensions Finance Knowledge & Skills Code of Practice
Consultation:	Legal, Finance and Access to Services.
Recommendation(s):	It is recommended that: 1) the Training identified for members and officers in sections 3.5 and 3.6 be approved
Report Author:	Jeffrey Dong
Finance Officer:	Jeffrey Dong
Legal Officer:	Debbie Smith
Access to Services Officer:	Sherill Hopkins

1 Introduction

- 1.1 In March 2000, the Chancellor of the Exchequer commissioned Paul Myners to conduct a review of institutional investment in the UK. The review was asked to consider whether there were distortions in institutions' investment decision-making. The efficiency of investment decision-making is an important driver of productivity, helping ensure that capital is allocated effectively and that managers are monitored and held accountable for performance.
- 1.2 One of Myners' main conclusions was that many pension fund trustees lack the necessary investment expertise to act as strong and discerning customers of the investment consultants and fund managers who sell them services.

1.3 In order to address the distortions identified, Myners recommended that pension fund trustees voluntarily adopt, on a 'comply or explain' basis, a series of principles codifying best practice for decision-making in relation to investment. These principles would be a powerful force for behavioural change. The central tenets included:

- decisions should be taken only by those with the right skills and expertise, and trustee boards should ensure they have access to appropriate skills and resources;
- fund managers should be set clear objectives and timescales;
- the performance of all managers should be measured, and trustees should assess their own performance;
- trustees should engage with investee companies where it is in the interests of their fund members so to do; and
- the investment strategy and returns of the fund should be reported annually to members and the public.

1.4 The Government agreed that the principles represent a clear and coherent approach, which will help the pensions industry respond to the challenges it faces, and from which everyone – consumers, industry and Government, but especially pension funds themselves – stands to benefit. The Government committed to reviewing after two years the extent to which the principles had been effective in bringing about behavioural change.

2 Progress

2.1 The Government has concluded that the voluntary approach is beginning to work, but considerably more efforts are needed to ensure that problem areas identified by the review are satisfactorily addressed. It believes that pension funds would better serve their members' and sponsors' interests if the best practice embodied in the Myners principles were to be strengthened and amplified, particularly in relation to trustee expertise and the process of investment decision-making.

2.2 Strengthening trustee skills and expertise is fundamental to achieving Myners' goals. The Pensions Act requires all trustees and officers to have appropriate knowledge and understanding of funding, investment, and relevant legal and scheme-specific issues. The Pensions Regulator will be responsible for enforcing this legal requirement, and the Occupational Pensions Regulatory Authority (OPRA) has developed a detailed code of practice to provide trustees with guidance.

- 2.3 The Government proposed that the Myners principle in relation to effective decision-making (principle 1) should be strengthened to align it with the objective standard of expertise set in the Pensions Act; but also to incorporate the review's conclusion that: the role played by the chair of the trustee board; having a critical mass of trustees with investment expertise; and the availability of additional resources to support the trustee board, are all key factors in promoting effective investment decision-making by pension funds. It therefore proposed to add three new elements to the principle. In all pension funds, the chair has a critical role in ensuring that the board as a whole has appropriate skills to address its responsibilities, and sets aside the appropriate time and resources to address investment decision-making.

3 CIPFA Public Sector Pensions Finance Knowledge & Skills Code of Practice

- 3.1 The CIPFA Code of Practice represents a key element in complying with Myners' requirements for knowledge & skills in decision makers in public pension funds.

- 3.2 The Code of practice is underpinned by 4 key principles:

1. Organisations responsible for the financial administration of public sector pension schemes recognise that effective financial management, decision-making and other aspects of the financial administration of public sector pension schemes can only be achieved where the those involved have the requisite knowledge & skills.
2. Organisations have in place formal and comprehensive objectives, policies and practices, strategies and reporting arrangements for the effective acquisition and retention of pension scheme finance knowledge and skills for those in the organisation responsible for financial administration and decision-making.
3. The associated policies and practices are guided by reference to the requirements outlined in the CIPFA Pensions Finance Knowledge & Skills framework.
4. The organisation has designated a named individual to be responsible for ensuring that policies are implemented.

- 3.3 CIPFA recommends that all LGPS organisations adopt the following statements:

1. This organisation adopts the key recommendations of the Code of Practice.
2. This organisation recognises that effective financial administration and decision making can only be achieved where those involved have the requisite knowledge and skills.
3. accordingly that organisation will ensure that it has formal and comprehensive objectives, policies and practices, strategies and reporting arrangements for the effective acquisition and retention of the relevant knowledge and skills.

4. The policies and practices will be guided by reference to CIPFA knowledge and skills framework.
5. The organisation will report on an annual basis how these policies have been put into place
6. this organisation has delegated the responsibility for the implementation of the requirements of the CIPFA Code of practice to the Section 151 Officer

3.4 The City & County of Swansea Pension Fund Policy Statement

The City & County of Swansea Pension Panel recognises the importance of ensuring that all staff and members charged with the financial management and decision making with regard to the LGPS are fully equipped with the knowledge and skills to discharge the duties and responsibilities allocated to them. The City & County of Swansea Pension Fund formally adopted the CIPFA Pensions Finance Knowledge & Skills Code of Practice in June 2012. It will provide/arrange training for staff and members of the pensions decision making body to enable them to acquire and maintain an appropriate level of expertise, knowledge and skills.

The pension panel has designated the Section 151 officer to be responsible for ensuring that the policies are implemented.

The Pension Committee has formally undertaken initial introductory training in the LGPS and now needs to consolidate that knowledge with continuous development.

With the pending revision of LGPS Governance Regulations, the importance of minimum Trustee competence, knowledge and skills will greatly increase

3.5 In 2014/15, the following Trustee training was undertaken by members:

1. LGE (Local Government Employers) Trustee Fundamentals day 1, 2 & 3 (for those members who have not undertaken the course)
2. LGC Investment Summit
3. Infrastructure Investment as an asset class

In 2015/16, it is recommended that the following fundamental training is undertaken by members and officers involved with the Committee along with any appropriate training opportunities which present themselves during the year to be agreed by the Section 151 Officer:

1. LGE (Local Government Employers) Trustee Fundamentals day 1, 2 & 3 (for those who have not undertaken the course)
2. LGC Investment Summit

3.6 The determination of the training requirements for officers shall be delegated to the Section 151 Officer and shall be implemented through the personal appraisal process

- 4 Financial Implications**
 - 4.1 The financial implications of the report are that costs will be maintained within the training budget of the Pension Fund.

- 5 Legal Implications**
 - 5.1 The underlying legal framework is set out in the Report

- 6 Equality Impact Assessment Implications**
 - 6.1 An EIA Screening has been undertaken and no E&EIs have been identified