



## Report of the Section 151 Officer

Pension Fund Committee - 5 July 2018

### **Pension Fund Committee Member Training**

#### **CIPFA Code of Practice Public Sector Finance Knowledge & Skills**

#### **The Pension Regulator Knowledge and Understanding Duty on Committee Members**

<b>Purpose:</b>	To determine an annual training programme for Trustees and Officers of the Pension Fund
<b>Policy Framework:</b>	CIPFA Public Sector Pensions Finance Knowledge & Skills Code of Practice The Pension Regulator Knowledge and Understanding Duty on Committee Members
<b>Consultation:</b>	Legal, Finance and Access to Services.
<b>Recommendation(s):</b>	It is recommended that:  1) the Training identified for Members in sections 3.7 be approved
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## **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 Code of Practice & The Pension Regulator's Knowledge & Understanding Requirements**

#### **3.1 CIPFA Code**

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 Pension Regulator**

#### Key points

- You must have the required knowledge and understanding of scheme rules, documents recording scheme administration policies and pensions law.
- You should have adequate training to meet the knowledge and understanding requirements.

### 3.5 Knowledge and understanding requirements

#### You must:

- be conversant with (ie have a working knowledge of) your scheme rules and any document recording policy about the administration of your scheme
- have knowledge and understanding of the law relating to pensions

#### Scheme rules and administration policies

You must have a working knowledge of your scheme rules and documented administration policies. You should understand them in enough detail to:

- know where they are relevant to an issue
- understand and if necessary challenge any advice that you're given

### 3.6 **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 Committee has designated the Section 151 officer to be responsible for ensuring that the policies are implemented.

The majority of the Pension Fund Committee have been in post for some time now and have undertaken considerable training in the LGPS and are

consolidating that knowledge with continuous development.

There are 2 relatively new members following local elections in 2017 who have undertaken formal introductory training and have taken part in training day on investment beliefs and ESG recently, with a completely new member of committee attending today for the first time, whose training programme is being developed in discussion with the member.

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

3.7 In 2017/18, the following Trustee training was undertaken by elected members:

1. LGE ( Local Government Employers) Trustee Fundamentals day 1, 2 & 3
2. LGC Investment Summit
3. Infrastructure Investment
4. ESG ( in house)
5. Investment beliefs (in house)
6. LAPFF AGM

In 2018/19, the following training has been identified as appropriate training to be undertaken by members of 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
2. LGC Investment Summit
3. LAPFF AGM
4. CIPFA trustee training
5. ESG
6. Investment Pooling and the regulatory framework re. an ACS provided by Link/Russell
7. Triennial Valuation training

3.8 The determination of the training requirements for officers shall be delegated to the Chief Treasury & Technical Officer.

#### **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.

**Background Papers:** None.

**Appendices:** None.