



## Report of the Section 151 Officer

Local Pension Board - 19 April 2023

### Trustee Training

#### CIPFA Code of Practice, Public Sector Finance Knowledge and Skills

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

<b>Purpose:</b>	<p>To determine an annual training programme for Pension Fund Committee and Local Pension Board members and officers of the Pension Fund</p> <p>To ensure compliance with the CIPFA Public Sector Pensions Finance Knowledge &amp; Skills Code of Practice and the Pension Regulator Knowledge and Understanding Requirements</p> <p>It is presented to Local Pension Board for Information</p>
<b>Consultation:</b>	Legal, Finance and Access to Services.
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<b>For Information</b>	

## 1 Introduction

- 1.1 Section 248 of The Pension Act 2004, as amended by Pensions Act 2013 requires that trustees of occupational pension schemes should be trained and have the knowledge and understanding of the law relating to pensions, the role of trustees and the principle of scheme funding, investment management, scheme administration of pension benefits. Whilst there is a legal requirement for a prescribed level of knowledge and understanding for members of a Local Pension Board, this legal requirement does not apply to members of a Pension Fund Committee. Accordingly, the Pensions

Committee have agreed to have regard to the Myner principles, The Pension Regulators' Toolkit, Scheme Advisory Board (SAB) and adopt the CIPFA Knowledge and Skills Framework.

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 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. CIPFA have recognised the necessity to revisit and update this code of practice.

The Pension Committee has designated the Deputy Section 151 officer to be responsible for ensuring that the policies are implemented.

The majority of the Pension Committee and Local Pension Board have been in post for some time now and have formally undertaken initial introductory training in the LGPS and are consolidating that knowledge with continuous development, however an ongoing induction programme shall be required for any new members of the Pension Fund Committee or Local Pension Board if recently appointed.

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

### 3.7 Hymans, the fund's appointed investment consultant launched the LGPS National Knowledge Assessment (NKA) in 2020 which seeks to assess the knowledge levels of Pension Fund Committees and Local Pension Boards nationwide.

In participating in the assessment, the fund received a full report outlining:

- Own fund results
- Analysis and suggested next steps
- Benchmarked position against other funds
- A tailored recommended training plan

The assessment launched in March 2020 with members of the pension fund committee and local pension board completing the 15-20 minute survey during April and May 2020. The results and subsequent questionnaire were used to inform the plan below. It is recognised that it is taking some lead in time to address all the areas identified for training. It is appreciated the time commitment made by committee/board members can be considerable

3.8 In 2022/23, the following Trustee training was undertaken by members of the Committee:

Topic	Product Knowledge	Date	Attendance by PC and LPB Members
Guidance, Regulatory & Best Practice	Operator Procurement Workshop, Roles & Responsibilities with the ACS.	June 2022	N/A only Chair req'd
Private Markets	Private Markets as an asset class, the role of the Allocator, Active Sustainable Equities.	Sept 2022	58%
Responsible Investment	Responsible Investment Indices and Solutions, Responsible Investment Reporting, the Role of Robeco as Engagement Manager Net Zero Workshop	Dec 2022	42%
		Oct 2022	50%
LGPS – Refresher Training	Fund Administration Investment Management	Sept 2022	66%
		Oct 2022	42%
Investment Performance & Risk Management	Performance Reporting & Manager Benchmarking.	Quarterly	N/A
	Securities Lending	Feb 2023	N/A only Chair req'd

Informed by the National Knowledge Assessment undertaken and outstanding training identified previously, the following training has been identified as appropriate training to be undertaken by members of the Committee and Local Pension Board along with any appropriate training opportunities which present themselves during the year to be agreed by the Deputy Section 151 Officer and to participate in and amend the training below which is separately identified by the WPP training plan which is due to be approved at the next JGC meeting in later in 2023:

1. LGE ( Local Government Employers) Trustee Fundamentals day 1, 2 & 3
2. ESG training
3. PLSA Local Authority Conference
4. Pension Governance- the role of the Committee and the Board
5. Pension Accounting & audit standards
6. Actuarial valuation methodologies

3.9 The determination of any additional training for elected members and identifying the requirements for officers shall be delegated to the Deputy Section 151 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 previously approved and outlined in the business plan

#### 5 **Legal Implications**

5.1 The underlying legal framework is set out in the Report

## 6 **Integrated Impact Assessment Implications**

- 6.1 The Council is subject to the Equality Act (Public Sector Equality Duty and the socio-economic duty), the Well-being of Future Generations (Wales) Act 2015 and the Welsh Language (Wales) Measure, and must in the exercise of their functions, have due regard to the need to:
- Eliminate unlawful discrimination, harassment and victimisation and other conduct prohibited by the Acts.
  - Advance equality of opportunity between people who share a protected characteristic and those who do not.
  - Foster good relations between people who share a protected characteristic and those who do not.
  - Deliver better outcomes for those people who experience socio-economic disadvantage.
  - Consider opportunities for people to use the Welsh language.
  - Treat the Welsh language no less favourably than English.
  - Ensure that the needs of the present are met without compromising the ability of future generations to their own needs.
- 6.2 The Well-being of Future Generations (Wales) Act 2015 mandates that public bodies in Wales must carry out sustainable development. Sustainable development means the process of improving the economic, social, environmental and cultural well-being of Wales by taking action, in accordance with the sustainable development principle, aimed at achieving the 'well-being goals'.
- 6.3 Our Integrated Impact Assessment (IIA) process ensures we have paid due regard to the above. It also takes into account other key issues and priorities, such as poverty and social exclusion, community cohesion, carers, the United Nations Convention on the Rights of the Child (UNCRC) and Welsh language.
- 6.4 An integrated impact assessment screening has been undertaken and it concludes that there are no equality impact implications arising from this report.

**Background Papers:** None.

**Appendices:** None.