

**Open Report on behalf of Andrew Crookham
Executive Director - Resources**

Report to:	Pensions Committee
Date:	14 July 2022
Subject:	Annual Pensions Committee Training Plan and Policy

Summary:

This report sets out the training policy and the annual training plan for the Pensions Committee members for the year to June 2023.

Recommendation(s):

That the committee:

- 1) approve the training policy, with the inclusion of the completion of the Hymans Online Learning Academy within the mandatory training requirements, replacing the requirement to attend a Fundamentals (or equivalent) training course;
- 2) agree the proposed areas for training at the October and February meetings; and
- 3) approve the annual training plan.

Background

1. There is a high level of risk involved in managing and making decisions relating to the Local Government Pension Scheme (LGPS). It is therefore essential that those involved with these tasks have the appropriate knowledge and skills to do so. The need for appropriate knowledge and skills in the management of pension schemes has been a key topic in recent years in both the public and private sector.
2. The introduction of the new Markets in Financial Instruments Directive (MIFID II) in January 2018, has made it is even more important that the Committee are appropriately trained to ensure that the Fund retains its Professional investor status.
3. The Good Governance review, where the draft recommendations were brought to this Committee last year, is expected to be put into statutory guidance in this financial year. This will include a mandatory level of training for Pensions Committee members, that will be reported in the Annual Report. The Lincolnshire

Fund is ahead of the requirements for this, already having a level of mandatory training required.

4. Members and Officers are currently required to undertake training to satisfy the obligations placed upon them by the following:

- Lord Hutton, in his review of Public Sector Pensions, included a key recommendation referring to the need for all Pension Committees and Boards to be properly trained.
- The Public Service Pensions Act 2013 included a requirement for members of Pensions Boards in the public sector to have an appropriate level of knowledge, and included a provision that required the Pensions Regulator to issue a Code of Practice relating to this for both Pension Board members and Scheme Managers (the Administering Authority). It is expected that the Good Governance Review, being undertaken by the Scheme Advisory Board, will require similar mandatory training for all Committee members.
- The Chartered Institute of Public Finance and Accountancy (CIPFA) launched a technical guidance for Representatives on Pensions Committees and non-executives (i.e. officers) in the public sector within a Knowledge and Skills Framework (KSF) in January 2010, which was refreshed in July 2021. The framework identifies the skill set for those responsible for pension scheme financial management and decision making. CIPFA followed this up with a Code of Practice which LGPS funds are expected to adhere to, reporting on how their Pension Committee members and officers are meeting the requirements of their Framework in the Annual Report and Accounts. The Pension Committee members' KSF is attached at appendix B.
- Myners Principles – Scheme Administering Authorities have been required for some time to report on a 'comply or explain' basis their adoption of, and compliance with, the principles. This is set out in the Governance Compliance Statement. The CIPFA document Principles for Investment Decision Making and Disclosure in the Local Government Pension Scheme in the United Kingdom (2012) also details the expectations that the Administering Authority should meet.

5. The Pensions Committee has adopted the key recommendations and principles of the CIPFA Code of Practice, detailed below:

- 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 and skills.
- Organisations have in place formal and comprehensive objectives, policies and practices, strategies and reporting arrangements for the effective

acquisition and retention of public sector pension scheme financial knowledge and skills for those in the organisation responsible for financial administration and decision-making.

- The associated policies and practices are guided by reference to a comprehensive framework of knowledge and skills requirements such as that set down in the CIPFA Pensions Knowledge and Skills Frameworks.
 - The organisation has designated a named individual to be responsible for ensuring that policies are implemented.
6. For the Lincolnshire Pension Fund, the Executive Director of Resources, Andrew Crookham, is the designated officer in this regard.
 7. To ensure that the Fund complies with the requirements above, a training policy and annual training plan is produced (attached at appendix A) and agreed by the Committee. Evaluation of knowledge and skills is periodically undertaken to ensure any emerging knowledge gaps (due to either regulatory/market change or change in members or key officers) are addressed.
 8. The CIPFA KSF (attached at appendix B for reference) covers eight areas:
 1. Pensions legislations and guidance
 2. Pensions Governance
 3. Funding strategy and actuarial methods
 4. Pensions administration and communications
 5. Pensions financial strategy, management accounting, report and accounts
 6. Investment strategy, asset allocation, pooling, performance and risk management
 7. Financial markets and products
 8. Pensions services procurement, contract management and relationship management
 9. It is acknowledged that these areas are very wide; however, the framework requires an awareness or understanding in most areas, rather than detailed knowledge. There are also a number of different ways in which this information can be gained, such as during normal Committee meetings, training sessions or attendance at conferences or seminars. It is not expected for members of the Committee to have knowledge in all areas of the framework but a collective understanding by the Committee as a whole.
 10. A knowledge and skills questionnaire, based on the CIPFA KSF, was completed by the majority of the Committee and returned for analysis. This highlighted only eight statements across four areas where the average score was below three (I have appropriate knowledge and understanding in this area), out of the 89 statements across the eight areas. These are therefore areas that additional training could be required. Overall though, the returns evidence that collectively the Committee has the appropriate level of knowledge and understanding to fulfil its requirements.

11. The statements and areas that scored below three are set out below:

Pensions Governance

An awareness of statutory and other guidance in relation to pension scheme governance, including DLUHC statutory governance guidance, The Pensions Regulator code of practice, CIPFA/Solace, Scheme Advisory Board guidance and the Myners principles.

Funding strategy and actuarial methods - Valuations

A general understanding of the importance of employer covenant, the relative strengths of the covenant across the fund's employers and how this impacts the funding strategy adopted.

A general understanding of any legislative and/or benefit uncertainty and the impact of this on the funding strategy.

A general understanding of the scheme valuation and other work carried out by GAD and the impact this has on the valuation process (i.e. the cost management process/Section 13 report).

Investment strategy, asset allocation, pooling, performance and risk management - Investment Pool

An awareness of the boundaries of investment activities (e.g. strategy requiring advice from a suitably qualified person, in-house investment transactions) and which investment activities require FCA authorisation.

Investment strategy, asset allocation, pooling, performance and risk management – Responsible Investment

An awareness of the UK Stewardship Code and the United Nations Principles of Responsible Investment (UNPRI) and whether the fund is a signatory of these.

Financial markets and products – Financial Markets

An awareness of the restrictions placed by legislation on the investment activities of LGPS funds.

Financial markets and products – Investment Pool

An awareness of how the fund interacts with the taxation system in the UK and overseas in relation to investments.

In addition to covering the specific areas above, there is another option that will be open to members (and officers) to meet the knowledge requirements.

Online Training Academy

12. The Fund's Investment Consultant Provider, Hymans Robertson, has created an online training platform, to assist Funds to meet the knowledge and understanding requirements of the CIPFA KSF, and therefore the requirements under MiFIDII.

13. The online platform, [LGPS Online Learning Academy \(LOLA\)](#) was created last year and designed to support the training needs of Pension Committees, Pension Boards and Fund Officers, and supplement training plans for all LGPS funds. Over 30 Funds have signed up to it and it now has over 800 users.
14. There are currently six modules available, each 10-20 minutes long, with updates and additional modules created as required:
 - **Module 1 - Introduction**
 - Introduction to the LGPS
 - Role of Elected Members on Committee (podcast)
 - **Module 2 – Governance & Regulators**
 - LGPS Governance
 - LGPS Oversight Bodies & Regulators (TPR)
 - LPGS Oversight Bodies & Regulators (Section 13)
 - Business Planning
 - **Module 3 – Administration & Management**
 - Introduction to Administration
 - Policies and Procedures
 - Public Procurement
 - Additional Voluntary Contributions
 - Accounting & Audit
 - **Module 4 – Funding & Actuarial Matters**
 - Introduction to Funding Strategy
 - LGPS Actuarial Valuations (Process)
 - LGPS Actuarial Valuations (Technical Aspects)
 - LGPS Employers
 - **Module 5 – Investments**
 - Introduction to Investment Strategy
 - Performance Monitoring
 - Pooling (England and Wales only)
 - Responsible Investment
 - MiFID II
 - **Module 6 – Current Issues**
 - McCloud
 - Goodwin
 - Cost-sharing
 - Cyber Security
 - GAD Section 13
15. In addition, external training can be recorded on the platform, to be easily extracted for quarterly meetings, annual reports or if requested by TPR.
16. This appears to be an ideal tool for Committee and Board members, and also officers, to use to improve their knowledge and to evidence as required that training has been undertaken. The modules should cover the statements that scored below a three above, and also assist individual members on areas that they scored

themselves lower than a three. The costs are a per user licence fee, that reduces as the number of users increases. Overall the total annual cost is expected to be good value for the training and assurance that it will provide.

17. It is recommended that the requirement to undertake the training from this platform is added to the mandatory training required, replacing the requirement to attend a LGA Fundamentals course (or equivalent), which will become an additional training offering rather than mandatory.

Training Policy

18. The training policy was last agreed at the July 2021 meeting of this Committee, and has been updated to reflect use of the training platform detailed in the paragraphs above. It sets out the policy concerning the training and development of:

- the members of the Pensions Committee; and
- officers of Lincolnshire County Council responsible for the management of the LGPS.

19. The training policy is established to aid members of the Pensions Committee in performing and developing their individual roles in achievement of the collective responsibility of the Committee. The requirement of the Committee is to ensure that members are able to demonstrate that, collectively, they have the required knowledge and skills to make appropriate decisions and offer challenge, and that officers are adequately trained and experienced to undertake the day-to-day operation and management of the Scheme.

20. Following elections every four years (and when there are any other Committee changes) all new members to the Committee are expected to attend the new member induction training before the date of their first Pensions Committee meeting, and anyone unable to attend that is offered one-to-one training by the Head of Pensions. In addition, all Committee members are required to:

- Complete the on-line training program set out within the Hymans Robertson Online Learning Academy within six months of joining the Committee, and to keep up-to-date with new modules or current issues as required;
- complete the on-line training of the Pensions Regulator at <https://education.thepensionregulator.gov.uk/login/index.php> within six months of joining the Committee (and send their certificates to the Head of Pensions); and
- undertake, as a Committee, regular training as set out in the annual training plan.

21. The Committee training plan presents the topics that will be covered in the normal Committee meetings and also the additional training sessions for the coming year. This will be updated for additional areas that are covered in Committee throughout the year, and will be used to assist in disclosure requirements for training in the Annual Report. The statement of compliance also requires Officers to keep a record of attendance at training courses and conferences by Members. Members are requested to inform Officers should they attend any meetings that are relevant to the Knowledge and Skills Framework.
22. A date of 13 October has been set aside for proposed training by the Investment Consultant covering the Investment Strategy of the Fund, in light of the valuation results, and to further develop the Fund's net zero ambitions.
23. The date for the February 2023 training has not yet been agreed, however it is proposed that this is decided later in the year at a future meeting to enable training on any areas that may come from the DLUHC consultation expected sometime in the Autumn.
24. Committee members are asked to agree the topics for training for the meeting in October and to consider topics for February later in the year.
25. Committee members are encouraged to attend external training events, including conferences, and details of these are shared in the monthly letter. Attendees should be willing to provide a brief update to the next meeting of the Pensions Committee, covering the following points:
 - their view on the value of the event and the merit, if any, of attendance;
 - a summary of the key learning points gained from attending the event; and
 - recommendations of any subject matters at the event in relation to which training would be beneficial to all Committee Members.

Conclusion

26. The training policy has been developed to respond to the various requirements laid down in regulations and guidance to ensure that both Committee members and officers are suitably knowledgeable to perform their duties within the Pension Fund. The Committee training plan sets out the areas of training covered for the coming year, and a new plan will be brought each year to the July Committee.
27. Committee members are asked to agree the change to the mandatory training to cover the LGPS Online Learning Academy and proposals for the October and February training sessions.

Consultation

a) Have Risks and Impact Analysis been carried out?

Yes

b) Risks and Impact Analysis

The Pension Fund has a risk register which can be obtained by contacting the author of this report.

Appendices

These are listed below and attached at the back of the report	
Appendix A	Lincolnshire Pension Fund Training Policy and Annual Plan
Appendix B	CIPFA Knowledge and Skills Framework

Background Papers

No background papers within Section 100D of the Local Government Act 1972 were used in the preparation of this report.

This report was written by Jo Ray, who can be contacted on 01522 553656 or jo.ray@lincolnshire.gov.uk.