



**LOCAL PENSION COMMITTEE – 26 JANUARY 2024**

**PENSION FUND TRAINING NEEDS SELF ASSESSMENT**

**REPORT OF THE DIRECTOR OF CORPORATE RESOURCES**

**Purpose of the Report**

1. The purpose of this report is to:
  - a. provide the Local Pension Committee with an update on Training Needs Self Assessments which have been undertaken;
  - b. identify training members of the Local Pension Committee are expected to complete in order to demonstrate a suitable level of knowledge and understanding.
  - c. Set out options for the Committee to consider as part of the planned review of the current Training Policy.

**Policy Framework and Previous Decisions**

2. The Local Pension Committee first agreed a Training Policy on 8 November 2019 in line with best practice at the time. The latest version of the Training Policy was approved by the Committee on 25 March 2022.
3. The policy, and regular training, is required because of:
  - the distinction of fiduciary duty owed to the Fund, compared to members and officers' usual business.
  - the complexity of pension and investment issues.
  - inevitable changes in the membership due to the election cycles
  - the Fund being treated by investment managers as a professional client and requirement to comply with the Markets in Financial Instruments Directive (MiFID II)
  - the potential consequences of not administering the Fund in an appropriate manner
  - responsible investing, net zero and how the Fund achieves this.
4. Training requirements are also reflected in the Terms of Reference of both the Committee and the Local Pension Board which states members 'must demonstrate to the Administering Authority their capacity to attend and prepare for meetings or to participate in required training.'

## **Background**

5. As part of the 2023 consultation 'Next Steps on Investment' the Government proposed that each administering authority set a training policy for committee members, and that the administering authority report regularly on training undertaken and whether this is in line with the training policy. The Fund has historically reported training undertaken by both Committee and Board Members annually within the Fund's Annual Report as part of best practice, and as recommended by the Scheme Advisory Board's Good Governance review.
6. As identified by the Pension Regulator, good governance is essential for a pension scheme to be successful, with a clear link between good governance and good fund performance.
7. Hymans Robertson Aspire online training has been in place for a number of years. Over 2023 Hymans reviewed the offering and issued new refreshed modules which reset all members Aspire training records at zero as of September 2023. Members were asked to undertake these modules in light of the updated information and as part of the Fund's Training Policy.

## **Training Needs Assessment**

8. The Chartered Institute of Public Finance and Accounting (CIPFA) published guidance on Pensions Knowledge and Skills in 2021. The guidance identifies eight core areas where appropriate knowledge and skills should be achieved and maintained:
  - a. Pensions legislation and guidance
  - b. Pensions governance
  - c. Funding strategy and actuarial methods
  - d. Pensions administration and communications
  - e. Pensions financial strategy, management, accounting, reporting and audit standards
  - f. Investment strategy, asset allocation, pooling, performance, and risk management
  - g. Financial markets and products
  - h. Pension services procurement, contact management and relationship management
9. To best meet the training needs of Committee and Board Members, a training needs analysis was carried out at the end of 2023. The form consisted of 39 self-assessment questions against CIPFA's eight core areas.
10. As of 17 January 2023, eight out of 13 Committee members have completed their assessments. The anonymised results are attached at Appendix A to this report. Any members that have not yet completed the training needs assessment are asked to do so as soon as possible to support development of this year's training programme.

11. The results of the questionnaire, together with the current priorities for the Fund are used to decide on the approach and topics of training offered, this can be on a collective and individual basis. All Committee members that have completed this analysis have been emailed regarding recommended training. Other training will be picked up as part of the Fund's training programme and forward plan.

### **Training Policy**

12. Training can be provided in a number of ways. Officers, on a regular basis, inform Committee and Board members of relevant training opportunities, including:
- Face-to-face sessions provided by external bodies, for example, Local Government Association.
  - Face-to-face sessions held internally, delivered by officers and/or the Fund's providers, for example, actuary, investment advisers, investment managers. Sessions may be held jointly with both Committee and Board, or held separately, depending on priorities and availability. Some sessions may be held adjacent to scheduled meetings and may be linked to specific issues on the agenda.
  - Recommended reading material to keep up to date with pensions issues.
  - Modules from the Hymans on-line training package. As part of pre-meeting emails officers recommend specific modules relevant to upcoming agenda items.

These modules are web based and include a video summary from pensions professionals, printable slides if needed and knowledge checks at the end of the module. There are a number of modules to complete which cover the following:

- Module 1 – Committee Role and Pensions Legislation
  - Module 2 – Pensions Governance
  - Module 3 – Pensions Administration
  - Module 4 – Pensions Accounting and Audit Standards
  - Module 5 – Procurement and Relationship Management
  - Module 6 – Investment Performance and Risk Management
  - Module 7 – Financial Markets and Product Knowledge
  - Module 8 – Actuarial methods, Standards and Practices
  - Module 9 - Current Issues [topics are regularly updated and added to this module by Hymans]
13. In addition, mandatory induction training is provided for all new members of the Committee and Board, including any potential substitute members.
14. Each member of the Committee also receives an Information Pack which will contain information key to their role as set out in the Training Policy.
15. A number of external training opportunities take place across the year. Some relevant to the LGPS are highlighted below. Further information will be provided to Committee members as such opportunities become available, as well as any other suitable events. Further details of these will be circulated by officers and will be funded by the Pension Fund.

<b>External Training</b>	<b>Dates</b>
LGA, LGPS Pension Fundamentals	3 days split over a number of dates (either online or in person) usually around October-December.
LAPFF Annual Conference and Quarterly Meetings	6-8 December 2024 (Bournemouth)
LGPS Central Stakeholder Day	March TBC
LGPS Central RI Day	TBC
Hymans: Webinars and conferences covering topical issues facing and shaping the industry.	<a href="https://www.hymans.co.uk/insights/events/">https://www.hymans.co.uk/insights/events/</a>
LGPS Live	<a href="https://lgps-live.com/seriessofar/">https://lgps-live.com/seriessofar/</a>  Webinars on key issues for LGPS funds and pools, these can vary from day-to-day operations to broader topics which will be of interest to members.

16. A record of completion of all training, including Hymans on-line training, undertaken by Committee members is included within the Fund's Annual Report presented in September each year. Essentially training progress will be shown as a snapshot of the position as at 31 March each year. Appendix B provides a summary of current progress in the training undertaken by the Committee members since March 2023 to date.
17. To show compliance with the Committee's Terms of Reference and Training Policy in demonstrating capacity to prepare for meetings all Members are asked to complete all Hymans on-line training modules which were reset in September 2023, before 31<sup>st</sup> March 2024 so that this can be accounted for as part of the Fund's next annual report.

### **Review of Training Policy**

18. Officers are in the process of reviewing the Fund's existing Training Policy to enable more effective reporting on progress against the Policy. Members are asked to contribute any thoughts they have on the existing approach to training which can be taken into account as part of that review. In particular, the Committee is asked to consider whether to mandate specific training requirements.
19. Officers are aware of the pressures on members and does not want to set unreasonable standards which create difficulties for members serving on the Committee. Individuals are not expected to become technical experts, and levels of knowledge will vary depending on experience. It is also acknowledged that some have been members of this Committee for a number of years and so have over time built up good knowledge and experience. However, ultimately the Local Pension Committee must satisfy those providing investment services that it possesses the expertise, experience and knowledge required to be capable of making its own investment decisions and understands the risks involved and continually keeping up to date with training available is an accepted way to provide such assurance.

20. While some Members have periodically accessed the Hymans modules online, it is fair to say routine use could be improved. Members who have not yet found the time to work through any of the modules are strongly encouraged to do so, given it is a valuable and tailored LGPS training resource which is in accordance with the Training Policy and Terms of Reference, though not yet currently mandated.
21. A review has been undertaken of other LGPS fund's training policies and options for discussion are presented to members for next steps in enhancing the Fund's training policy. As an example, other funds have agreed the following more specific recommendations:
- Hampshire require at a minimum new members undertake the external LGA Fundamentals Course (3 days). All Members must also complete the Aspire Hymans modules within 12 months.
  - Somerset have agreed key training guidelines which differ depending on time served and require a commitment of at least 1-3 days specific training for members per year.
  - Surrey provides interim updates on training progress to the Committee and Board. Where members do not complete the required training in the timeframes set out, the matter is reported for action. Membership may be terminated due to a member no longer being able to demonstrate to the Scheme Manager their capacity to attend and prepare for meetings, or to participate in required training or otherwise to carry out the requirements of the role appropriately.
22. Having considered other approaches it is proposed that the Fund look to formally mandate completion of Hymans on-line Modules and become more active in reporting to the Chairman on progress against completion as well as increase reporting to the Committee and Board at reasonable intervals.
23. It is proposed that officers recommend specific modules in advance of meetings to spread completion over a reasonable timeframe. Members can either complete these modules at their own leisure, or officers can set up specific times and dates either in person or via Microsoft Teams if there is appetite for Members to view the sessions jointly. Alternatively, the Fund could set a specific timeframe for completion of all modules which are undertaken by members when possible.

### **Recommendations**

24. It is recommended that the Local Pension Committee agrees that:
- a. All members should complete the training needs assessment if not yet completed by 2 February 2024.
  - b. Members should commit to progressing completion of Hymans Aspire modules, noting that a record will be taken as at 31 March 2024 for the Fund's Annual report.
  - c. Members feedback any views on the current approach to the Fund's Training Policy as part of the review.

## **Background Papers**

Local Pension Committee – 25 March 2022 – Training Policy

<https://democracy.leics.gov.uk/ieListDocuments.aspx?CId=740&MId=6758&Ver=4>

## **Equality Implications**

25. None.

## **Human Rights Implications**

26. None

## **Legal Implications**

27. The Director of Law and Governance has been consulted on this report.
28. Under MiFID II (Markets in Financial Instruments Directive) local and public authorities must satisfy a qualitative test that allows them to be treated as a professional investor with the capacity to make investment decisions. This test requires the Local Pension Committee to satisfy those providing investment services that it possesses the expertise, experience and knowledge required to be capable of making its own investment decisions and understanding the risks involved.
29. The Local Pension Committee's Terms of Reference sets out that members must demonstrate to the Administering Authority their capacity to attend and prepare for meetings or to participate in required training in order to reach the required standard in line with MiFID II and the Fund's Terms of Reference. It is for the Scheme Manager (the Administering Authority) to be satisfied that those appointed have the appropriate degree of knowledge and understanding to enable them to properly exercise their functions as a member of the Committee.
30. In line with these duties under their role, Committee members are required to be able to demonstrate their knowledge and understanding and to refresh and keep their knowledge up to date on anything that would fall within the remit of their role. A written record of all relevant training and development (whether internal or external) undertaken by Committee members should be maintained. All members will undertake an annual personal training needs analysis and regularly review their skills, competencies, and knowledge to identify gaps or weaknesses as well as the mandatory training that the Scheme Manager considers is required to ensure the Board and Committee operates as effectively as possible. All information in relation to training and development of all members shall be made available to the Committee as part of the Review Process.
31. It is important that members are trained appropriately so that decisions are made from a sound knowledge base thereby minimising the risk of any legal challenge.

## **Appendices**

Appendix A – Training Needs Assessment Anonymised

Appendix B – Current Training Progress February 2023-December 2023 and Hymans  
Module completion

### **Background Papers**

Local Pension Committee – 25 March 2022 –

<https://democracy.leics.gov.uk/ieListDocuments.aspx?CIId=740&MIId=6758&Ver=4>

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