



LOCAL PENSION BOARD – 17 APRIL 2024
REPORT OF THE DIRECTOR OF CORPORATE RESOURCES
TRAINING POLICY REVIEW

Purpose of the Report

1. The purpose of this report is to seek the views of the Local Pension Board on the draft Training Policy in advance of it being presented to the Local Pension Committee for approval, and note the Training Plan for 2024, appended to the report at Appendices A and B respectively.

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.

Background

5. Since the Local Pension Board's formation there has been legislation which sets that Board members have a personal responsibility to have an appropriate level of knowledge and understanding for the purposes of enabling them to exercise properly their functions as a member of the Local Pension Board.
6. 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.
7. 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.
8. Hymans Robertson Aspire online training has been accessible to Committee and Board members for a number of years. During 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 encouraged to undertake these modules in light of the updated information and as part of the Fund's Training Policy.

Training Policy Review

9. A review of the Training Policy has been undertaken having regard to Government legislation, other relevant guidance and having considered the terms of reference of other similar funds, as well as expectations for future requirements on the Local Pension Committee, and best practice.
10. Officers have also considered the views of the Local Pension Committee and Local Pension Board as part of previous reports summarising the training needs analysis in early 2024.
11. 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 or Board. 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 the Committee or Board for a number of years and so have, over time, built up good knowledge and experience. However, ultimately both need to demonstrate that it possesses the expertise, experience and knowledge required to be capable of serving on the Committee and Board, with the Committee needing to satisfy those providing investment services that it also possesses those requirements to be capable of making its own investment decisions, understands the risks involved, and undertakes training as required as an accepted way to provide

such assurance.

12. While the main features of the original Training Policy have been retained, such as the objectives, areas of training and differing methods of training, the revised Training Policy, at Appendix A offers far more detail and clarity on expectations of members and officers and how success can be measured against the Policy.
13. The Board's attention is specifically drawn to the following key changes:
 - (i) Differentiation between training expectations on the Board, Committee and Fund officers.
 - (ii) Set requirements to complete the online Hymans Learning within 6 months of appointment, or upon any revision of the modules and criteria that the Fund can report on a successful Training Policy as part of the Annual Report.
 - (iii) Flexibility of training to suit members and how these online modules can be completed.
 - (iv) That the Chairman of the Board and Committee be kept updated on members' progress against the Training Policy.

Next Steps

14. Having taken on board comments from Committee and Board Members and in recognition of the varying approaches to training and need for flexibility, a Training Plan of in-person sessions was put in place following a trial after the February Local Pension Board meeting. The first in-person session took place on 8 April 2024 with 10 members attending alongside Fund officers and this was followed by discussions on the training modules.
15. This year's training plan at Appendix B supports upcoming agenda items for the year ahead. It is recognised that certain areas such as Investment Performance, Financial Markets and Product Knowledge may be less relevant for Local Pension Board members, however, they are still invited to attend if they wish.
16. If members do not wish to, or are unavailable to attend, in line with the revised Training Policy they are required to complete the relevant modules online by the relevant month end.
17. A record of completion of all training, including Hymans on-line training, undertaken by Committee and Board members is included within the Fund's Annual Report. Essentially training progress will be shown as a snapshot of the position as at 31 March each year. The relevant Chairman will be kept updated on matters.

Recommendations

18. It is recommended that the Local Pension Board supports the revised Training Policy and Plan attached as Appendices A and B respectively.

Equality Implications

19. None.

Human Rights Implications

20. None

Legal Implications

21. The Director of Law and Governance has been consulted on this report.
22. 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.
23. 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.
24. 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 and Board as part of the Review Process.
25. 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.

Background Papers

Local Pension Board – 7 February 2024 – Training Needs Self-Assessment
<https://democracy.leics.gov.uk/ieListDocuments.aspx?CId=1122&MId=7545>

Local Pension Committee – 26 January 2024 - Training Needs Self-Assessment

<https://democracy.leics.gov.uk/ieListDocuments.aspx?CIId=740&MIId=7538>

Local Pension Committee – 25 March 2022 – Training Policy

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

Appendices

Appendix A: Revised Training Policy

Appendix B: Training Plan 2024

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