

## **Committee: Pension Fund Advisory Panel**

**Date: 6<sup>th</sup> December 2017**

Agenda item: 8

Wards: All

### **Subject: Panel Training**

Lead officer: Caroline Holland, Director of Corporate Services

Lead member: Councillor Philip Jones

Forward Plan reference number: N/A

Contact officer: Roger Kershaw

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### **Recommendations:**

- a) To note that substantial part of this meeting will be devoted to training
- b) To read this report in conjunction with the separate reports to this meeting titled “Update on the Pension Fund Investment Strategy Implementation” and Markets in Financial Instruments Directive (MiFID II)”.  
c) To note that Aniket Bhaduri (JLT) will attend this meeting to provide training
- d) To agree that officers develop a Training Policy in consultation with JLT and bring a draft to the Pension Fund Advisory Panel meeting to be held on 7<sup>th</sup> March 2018 for consideration and approval, subject to any changes.
- e) To note the outline of the proposed Training Plan for 2018/19 for consideration and approval, subject to any changes.
- f) To note that the Work Programmes for the Pension Fund Advisory Panel and Merton Pension Board will be redesigned and the Panel is asked to comment on the current 2017/18 Work Programmes appended to this report.

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## **1. PURPOSE OF REPORT AND EXECUTIVE SUMMARY**

- 1.1 The purpose of this report is to inform the Panel that training will be delivered at this meeting by JLT the investment adviser to the Pension Fund.
- 1.2 This report also outlines the Training Plan for the Pension Fund Advisory Panel (PFAP) and Merton Pension Board (MPB) for 2018/19 for consideration and approval, subject to any changes.

## **2. NEED FOR TRAINING**

- 2.1 Under the Regulations, the Pension Fund Advisory Panel and Local Pension Board must receive appropriate training to ensure that they have the required skills and understanding to carry out their duties effectively.

- 2.2 LB Merton as administering authority for Merton Pension Fund is committed to training for PFAP and MPB involved in the governance of the Fund to ensure they are well equipped to carry out stewardship and supporting role respectively. Training will include regular briefing on new developments in the LGPS, pension fund investment strategy and performance monitoring.
- 2.3 The Pension Fund investment strategy is being implemented. PFAP Members require knowledge and understanding to make informed and consistent decisions on complex investment and financial matters with legal and regulatory implications.
- 2.4 The Panel is required to make decisions on investment matters from time to time. Training will help Panel Members to discharge this duty and further equip them to provide effective governance and monitoring of the investment arrangement of the Pension Fund.
- 2.5 The LGPS Scheme Advisory Board (SAB) actively encourage administering authorities to support Panel and Board members to meet their knowledge and skills obligations.

### **3 SCOPE OF THE PROPOSED TRAINING ON 6<sup>th</sup> DECEMBER 2017**

- 3.1 The proposed training on 6<sup>th</sup> December 2017 will focus on risk and return, liabilities, investment strategy and asset classes the Pension Fund invest in. The training will also cover strategy implementation including but not limited to mandate development, fund manager procurement and pension fund governance and monitoring.

### **4. PROPOSED TRAINING POLICY**

- 4.1 The proposed Training Plan will set out how the PFAP and MPB will be supported to gain the required knowledge and skills during 2018/19 and how their level of understanding will be assessed to ensure compliance with the Regulations. Also, the advent of MiFID II puts significant importance on assessment of knowledge and skills of decision-making groups and individuals operating in LGPS investment environment.
- 4.2 The PFAP and MPB Work Programmes which form the basis of their respective agendas and framework to monitor their effective will be redesigned for 2018/19 to ensure consistency with the proposed Training Policy. The current Work Programmes for 2017/18 are appended for comment.

## **5. KNOWLEDGE AND SKILLS FRAMEWORK**

5.1 The areas of knowledge and skills identified as core requirements for those with decision-making responsibility (PFAP) and monitoring and governance support (MPB) are:

- LGPS Regulations and governance
- Fund Accounting and auditing standards
- Procurement of pension fund services and relationship management
- Types of investments
- Investment strategy development and monitoring
- Financial markets and products knowledge
- Investment performance and risk management
- Environmental, social, governance (ESG)
- Actuarial methods, standards and practices
- Pension administration

5.2 PFAP and MPB members are expected to have a collective understanding, to support effective decision-making and scrutiny respectively, whilst senior officers should be able to demonstrate expertise in the key areas of knowledge and skills above in paragraph 5.1.

## **6. PENSION FUND ADVISORY PANEL SPECIFIC REQUIREMENTS**

6.1 Members of the Pension Fund Advisory Panel require knowledge and understanding of:

- The Council's responsibilities as an administering authority or scheme manager of Merton Pension Fund;
- The fundamental requirements relating to pension fund investments;
- The operation and administration of the Pension Fund;
- Controlling and monitoring the funding level; and
- Taking effective decisions on the management of Merton Pension Fund

## **7. PENSION BOARD SPECIFIC REQUIREMENTS**

7.1 The Regulations require Pension Board members to have the capacity to carry out their role to assist the administering authority in its role as scheme manager.

7.2 Board members must comply with the statutory requirement under Section 248A of the Pensions Act 2004 to be familiar with some matters and have knowledge and understanding in other matters. Accordingly, Board members must be conversant with:

- The Regulations and any other regulations governing the LGPS
- Any document recording policy about the administration of the Fund

and have knowledge and understanding of:

- The law relating to pensions; and
- Such other matters as may be prescribed

- 7.3 Board members will receive training covering the role of a local pension board and understand the duties and obligations of an administering authority, including funding and investment matters.

## **8. CIPFA KNOWLEDGE AND SKILLS FRAMEWORK**

- 8.1 CIPFA Knowledge and Skills Framework sets out the skill set for those responsible for pension scheme financial management and decision-making in relation to understanding and awareness of regulations, workings and risk in managing LGPS pension fund.
- 8.2 CIPFA's Code of Practice encapsulates the requirements for the acquisition, retention and maintenance of appropriate knowledge and skills. It recommends that:
- administering authorities formally adopt the CIPFA Knowledge and Skills Framework
  - ensure the development of appropriate policies and procedures to meet the requirements of the Framework or an alternative training programme; and publish how the arrangements have been implemented every year.
- 8.3 LB Merton as administering authority for Merton Pension Fund has adopted the CIPFA Code of Practice. The training policy will set out the approach the authority will take in order to comply with the Code.

## **9. CONSULTATION UNDERTAKEN OR PROPOSED**

- 9.1 N/A

## **10. FINANCIAL, RESOURCES AND PROPERTY IMPLICATIONS**

- 10.1 The investment strategy chosen will affect the return on the Fund, its actuarial valuation and the cost to the Council. The expenses of the Committee are regarded as part of the costs of administration of the Pension Fund. Accordingly, any costs would be charged to the Pension Fund as part of the costs of administration of the Fund.

## **11. LEGAL AND STATUTORY IMPLICATIONS**

- 11.1 Under Section 248A of the Pensions Act 2004 and the Public Services Pensions Act 2013 pension fund committees are required to have knowledge and understanding of the law on pensions, the role of the committee, scheme funding and investment principles and administration of scheme benefits.

## **12. HUMAN RIGHTS, EQUALITIES AND COMMUNITY COHESION IMPLICATIONS**

- 12.1 N/A

## **13. CRIME AND DISORDER IMPLICATIONS**

- 13.1 N/A

**14. RISK MANAGEMENT AND HEALTH AND SAFETY IMPLICATIONS**

14.1 N/A

**15. APPENDICES**

1. PFAP Work Programme 2017/18
2. MPB Work Programme 2017/18

**16. BACKGROUND PAPERS**

1. CIPFA Technical Knowledge and Skills Framework for Local Pension Boards
2. Public Service Pensions Act 2013
3. The Pensions Regulator (TPR) Code of Practice for Public Service Schemes
4. Local Government Pension Scheme (LGPS) Pension Board Guidance

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