

PENSIONS COMMITTEE – 7 FEBRUARY 2020

Report of the Director of Corporate Services

TRAINING NEEDS ANALYSIS & TRAINING POLICY 2020/21

Recommendation of the Chair

1. That the Pensions Committee:
 - (i) note the results of the 2019 Training Needs Analysis (TNA) at Appendix 2 in relation to the CIPFA Knowledge and Skills Framework (CIPFA KSF) and note the 2020/21 Training Plan in paragraph 11; and
 - (ii) approve the Staffordshire Pension Fund's Training Policy attached at Appendix 3.

Background

2. Section 248A of the Pensions Act 2004, as amended by the Public Services Pensions Act 2013, requires that trustees of occupational pension schemes should be trained and have knowledge and understanding of the law relating to pensions, the role of trustees, the principles of scheme funding and investment, and the management and administration of pension scheme benefits.
3. At their meeting on 8 December 2017, the Pensions Committee reaffirmed their commitment to the CIPFA Knowledge and Skills Framework (CIPFA KSF) and the adoption of a high-level Training Plan covering the 8 key knowledge areas of the CIPFA KSF. For reference, these are listed below:
 - Pensions Legislation
 - Pensions Governance
 - Pensions Administration
 - Pensions Accounting and Auditing Standards
 - Pensions Services, procurement and relationship management
 - Investment performance and risk management
 - Financial markets and products knowledge
 - Actuarial methods, standards and practices
4. The CIPFA KSF is mandatory for Local Pensions Board Members, and whilst it is currently only a recommendation for Committee Members and Senior Officers, such as the S151, following the Good Governance Project commissioned by the Scheme Advisory Board (SAB) and undertaken by Hymans Robertson, it is anticipated that something similar to the CIPFA KSF will become mandatory for all.

<https://www.hymans.co.uk/insights/research-and-publications/publication/good-governance-in-the-lgps-report/>
5. Committee Members agreeing to complete a Training Needs Analysis (TNA), which assesses their perceived knowledge against the 8 key areas of the CIPFA

KSF, is considered best practice and already embraces and demonstrates the spirit of Good Governance.

2018/19 and 2019/20 Training Plans

6. Training for Pensions Committee Members in 2018/19 and 2019/20 consisted of a number of elements. Some of these were directly in response to the results of the previous TNA, e.g. **Performance Measurement** and **Cost Benchmarking**, whilst some were dictated by the areas of focus for the Fund in the short to medium term, e.g. **Strategic Asset Allocation Review** and the **2019 Actuarial Valuation**. In many instances, training was undertaken as part of routine Committee meetings and delivered by the Actuary. Pensions Committee Members also attended a workshop where they considered **Responsible Investment** and as a result agreed a new set of Investment Principles for the Fund. Some new Members of the Committee also attended **Pensions Fundamentals** training.

2019 Training Needs Analysis (TNA)

7. All Pensions Committee Members and Local Pensions Board Members were asked to complete a new TNA during December 2019. As one would expect, there are differences in individual Members' knowledge but based on the responses received then, as a collective, the Committee (c57% response rate) has improved on its 2018/19 scores overall. The Pensions Board (c83% response rate) is marginally down on its 2018/19 scores, however, with several new Members very recently appointed, this is not a surprise.
8. The collective summary results of the TNA for the Committee and for the Local Pension Board are provided in Appendix 2. It is pleasing to see an improvement across all of the 8 areas of knowledge generally, but particularly so in relation to 'Investment Performance and Risk Management' (6) and 'Actuarial Methods, Standards and Practices' (8) given these have been the two main areas of focus throughout 2018 and 2019.
9. This information will be used to inform the delivery of general and specific, more targeted, training going forwards and will be reviewed again in 2021.

2020/21 Training Plan

10. As with all training plans, some flexibility in terms of times and methods of delivery will be required. Where appropriate, training will be incorporated into scheduled Committee and Board meetings in June, September, December and March and two dedicated training sessions for both Committee and Board members will be held in July and November. Joint training opportunities within the LGPS Central pool, and outside of scheduled training, may also be offered from time to time.
11. Having considered the detailed results from the 2019 TNA, training proposed for 2020/21 is likely to include the following:
 - June / July - Portfolio Evaluation Limited and CEM Benchmarking – refresher training at Committee on **Performance Measurement** and **Cost Benchmarking**;

- July / November – **Investing in Infrastructure** – as this is a new asset class in the Fund’s Strategic Asset Allocation, Members will benefit from a greater understanding;
- July / November – **Private Debt** – the Fund has been an investor in this asset class for around 2 years now – have our expectations been met and what might we expect going forwards?;
- September / December / March – **Pensions Legislation and Administration** – what does it say, what does it involve and what are the current issues?; and
- October – December 2020 – Local Government Association offer 3-day **Pensions Fundamentals** training, which is routinely offered to all new Committee and Board members.

12. Committee and Board Members, who have not already done so or who would like a refresher, may also wish to have a look at the Pension Regulators toolkit. This is an online training programme covering many of the key areas of the CIPFA KSF (with the main exception being investments). This can be accessed by following the link below:
<https://trusteetoolkit.thepensionsregulator.gov.uk/>

Training Policy

13. As with all areas of Pensions, it is best practice and further demonstrates good governance to set out the Pension Fund’s attitude towards the Training of all individuals charged with the oversight of the Fund, by having a policy on such. The Staffordshire Pension Fund’s Training Policy is attached at Appendix 3 for approval.

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Background Documents:
CIPFA Knowledge and Skills Framework
Scheme Advisory Board Good Governance Report
The Pensions Regulator Trustee Toolkit

Equalities Implications: There are no direct equalities implications arising from this report.

Legal Implications: There are no direct legal implications arising from this report.

Resources and Value for Money Implications: All Training Costs will be paid for by the Staffordshire Pension Fund

Risk Implications: There is a risk of inappropriate decisions being made if Pensions Committee members do not have an appropriate level of knowledge and understanding.

Climate Change Implications: There are no major climate change implications arising from this report.

Health Impact Assessment screening – There are no health impact assessment implications arising from this report.

Appendix 2

Staffordshire Pensions Committee and Staffordshire Local Pensions Board Results of 2019 Training Needs Analysis

On a scale from 1 to 5 where:

1 = No knowledge

2 = Limited knowledge and understanding

3 = Basic understanding

4 = Broad ability to comprehend and apply knowledge

5 = Sound understanding and ability to ask challenging questions

Area of Knowledge		Average score out of 5	
		Pensions Committee 2019	Local Pensions Board 2019
1. Pensions Legislation			
1.1	A general understanding of the pension's legislative framework in the UK.	3.71	3.2
1.2	An overall understanding of the legislation and statutory guidance specific to the scheme and the main features relating to benefits, administration and investment.	3.71	3.2
1.3	An appreciation of LGPS discretions and how the formulation of the discretionary policies impacts on the pension fund, employers and local taxpayers.	3.86	2.4
1.4	A regularly updated appreciation of the latest changes to the scheme rules.	3.86	2.6
		3.79	2.85
2. Pension Governance			
2.1	Knowledge of the role of the administering authority in relation to the LGPS.	3.71	3.4
2.2	An understanding of how the roles and powers of the DCLG, the Pensions Regulator, the Pensions Advisory Service and the Pensions Ombudsman relate to the workings of the scheme.	3.57	3.2
2.3	Knowledge of the role of the Scheme Advisory Board and how it interacts with other bodies in the governance structure.	3.71	3.0
2.4	Broad understanding of the role of pension fund committees in relation to the fund, administering authority, employing authorities, scheme members and taxpayers.	4.14	3.2
2.5	Awareness of the role and statutory responsibilities of the treasurer and monitoring officer.	3.71	3.8
2.6	Knowledge of the Myners principles and associated CIPFA and SOLACE guidance.	3.0	2.8
2.7	A detailed knowledge of the duties and responsibilities of pension board members.	3.86	3.8
2.8	Knowledge of the stakeholders of the pension fund and the nature of their interests.	4.0	3.6
2.9	Knowledge of consultation, communication and involvement options relevant to the stakeholders.	3.57	3.4
2.10	Knowledge of how pension fund management risk is monitored and managed.	4.0	3.4
2.11	Understanding of how conflicts of interest are identified and managed.	3.57	3.6

2.12	Understanding of how breaches in law are reported.	3.57	3.6
		3.7	3.4

3. Pensions Administration			
3.1	An understanding of best practice in pension's administration, eg performance and cost measures.	3.57	3.2
3.2	An understanding of the required and adopted scheme policies and procedures relating to: <ul style="list-style-type: none"> • Member data maintenance and record-keeping processes • Internal dispute resolution • Contributions collection • Scheme communications and materials 	3.29	3.0
3.3	Knowledge of how discretionary powers operate.	3.0	2.8
3.4	Knowledge of the pension's administration strategy and delivery (including, where applicable, the use of third-party suppliers, their selection, performance management and assurance processes).	3.86	2.6
3.5	An understanding of how the pension fund interacts with the taxation system in the UK and overseas in relation to benefits administration.	3.29	2.0
3.6	An understanding of what additional voluntary contribution arrangements exist and the principles relating to the operation of those arrangements, the choice of investments to be offered to members, the provider's investment and fund performance report and the payment schedule for such arrangements.	3.43	3.0
		3.41	2.77

4. Pensions accounting and auditing standards			
4.1	Understanding of the Accounts and Audit Regulations and legislative requirements relating to internal controls and proper accounting practice.	3.57	3.2
4.2	Understanding of the role of both internal and external audit in the governance and assurance process.	3.86	4.0
4.3	An understanding of the role played by third party assurance providers.	3.43	3.25
		3.62	3.48

5. Pensions services procurement and relationship management			
5.1	Understanding of the background to current public procurement policy and procedures, and of the values and scope of public procurement and the roles of key decision makers and organisations.	3.57	3.8
5.2	A general understanding of the main public procurement requirements of UK and EU legislation.	3.29	3.8
5.3	Understanding of the nature and scope of risks for the pension fund and of the importance of considering risk factors when selecting third parties.	4.0	3.6
5.4	An understanding of how the pension fund monitors and manages the performance of their outsourced providers.	4.0	3.6
		3.72	3.7

6. Investment performance and risk management			
6.1	Understanding of the importance of monitoring asset returns relative to the liabilities and a broad understanding of ways of assessing long-term risks.	3.86	4.0
6.2	Awareness of the Myners principles of performance management and the approach adopted by the administering authority.	3.0	2.8

6.3	Awareness of the range of support services, who supplies them and the nature of the performance monitoring regime.	3.29	2.8
		3.38	3.2

7. Financial markets and products knowledge			
7.1	Understanding of the risk and return characteristics of the main asset classes (equities, bonds, property).	3.86	3.6
7.2	Understanding of the role of these asset classes in long-term pension fund investing.	3.86	3.4
7.3	Understanding of the primary importance of the fund's statement of investment principles and the investment strategy decision.	3.86	3.8
7.4	A broad understanding of the workings of the financial markets and of the investment vehicles available to the pensions fund and the nature of the associated risk.	3.57	3.4
7.5	An understanding of the limits placed by regulation on the investment activities of local government pension funds.	3.43	2.6
7.6	An understanding of how the pension fund interacts with the taxation system in the UK and overseas in relation to investments.	3.0	2.4
		3.6	3.2

8. Actuarial methods, standards and practices			
8.1	A general understanding of the role of the fund actuary.	3.71	3.8
8.2	Knowledge of the valuation process, including developing the funding strategy in conjunction with the fund actuary, and inter-valuation monitoring.	3.29	3.6
8.3	Awareness of the importance of monitoring early and ill health retirement strain costs.	3.71	3.8
8.4	A broad understanding of the implications of including new employers into the fund and of the cessation of existing employers.	3.71	3.6
8.5	A general understanding of the relevant considerations in relation to outsourcings and bulk transfers.	3.57	3.4
8.6	A general understanding of the importance of the employer covenant and the relative strengths of the covenant across the fund employers.	3.43	3.2
		3.57	3.57

Average Combined Score by segment (Low to High 2019)

	2018	2019	Difference
3. Pensions Administration	2.74	3.09	0.35
6. Investment performance and risk management	2.70	3.29	0.59
1. Pensions Legislation	2.82	3.32	0.50
7. Financial markets and products knowledge	2.96	3.40	0.44
4. Pensions accounting and auditing standards	2.88	3.45	0.57
2. Pension Governance	3.04	3.55	0.51
8. Actuarial methods, standards and practices	2.98	3.57	0.59
5. Pensions services procurement and relationship management	2.90	3.71	0.81