

PENSIONS COMMITTEE**11 JULY 2023**

REPORT TITLE:	MEMBERS' LEARNING AND DEVELOPMENT
REPORT OF:	DIRECTOR OF PENSIONS

REPORT SUMMARY

The purpose of this report is to update Members on revisions to CIPFA's (the Chartered Institute of Public Finance and Accountancy) guidance on Pensions Knowledge and Skills and to seek approval for officers to prepare an updated learning and development framework.

RECOMMENDATION/S

That the Pensions Committee be recommended to:

1. note the report and the recommended areas of learning and development
2. approve the updating of the existing learning and development framework to reflect revisions to CIPFA's Knowledge and Skills Framework

SUPPORTING INFORMATION

1.0 REASON/S FOR RECOMMENDATION/S

- 1.1 The administration and the investment-related aspects of the Local Government Pension Scheme (LGPS) are technical and complex areas. Good governance is supported by informed decision-making.

2.0 OTHER OPTIONS CONSIDERED

- 2.1 There is an option not to provide training. However, the Pensions Regulator has a clear expectation documented within its Code of Practice for the administration and governance of Public Sector Schemes, that schemes must regularly assess training opportunities to ensure that decision-making and oversight groups have an adequate level of knowledge to carry out their roles effectively.

3.0 BACKGROUND INFORMATION

- 3.1 In recent years there has been a marked increase in the scrutiny of public service pension schemes including the LGPS. The Public Service Pensions Act 2013 introduced new governance legislation, including the requirement for Local Pension Boards to be set up and extended the remit of the Pensions Regulator to public service schemes as set out in its Code of Practice 14. Additionally, the Department of Levelling Up, Housing and Communities (DLUHC) and the Scheme Advisory Board (SAB) have emphasised the need for the highest standards of governance in the LGPS. This includes ensuring that all involved in the governance of public sector funds can evidence they have the knowledge, skills and commitment to carry out their role effectively.
- 3.2 The introduction of Markets In Financial Instruments Directive II (MIFID II) in January 2018 required Committee members to evidence their knowledge in order for MPF to be treated as a professional investor. Also, the Scheme Advisory Board for England and Wales has reviewed governance arrangements for LGPS funds. This project – termed ‘Good Governance’ – addressed stakeholder knowledge and skills. A clear recommendation of the Good Governance project is that the knowledge levels already statutorily required of Board members should also be required of Committee members. These recent events have reaffirmed that LGPS funds should evidence the training provided and current knowledge and understanding levels retained within their Committee and Board.
- 3.3 The CIPFA Pensions Panel has developed a technical knowledge and skills framework for the Local Government Pension Scheme. The framework was adopted by Pensions Committee in 2010 as demonstrating best practice and enables the Fund to determine that it has the appropriate mix of knowledge and skills necessary to discharge its governance requirements. It also assists Members in planning their training and development needs.
- 3.4 In June 2021, CIPFA issued two documents providing updated guidance on LGPS knowledge and skills. These are the ‘Code of Practice on LGPS knowledge and skills’ and the ‘Knowledge and Skills framework for LGPS committee members and

LGPS officers'. These update and replace the previous Code of Practise and the separate 2010 Knowledge and Skills frameworks for committee members and officers. This updated guidance has been issued because of the significant enhancements and alterations to the governance and operation of the LGPS in recent years.

- 3.5 As explained above, Pensions Committee has adopted and based its approach to learning and development on the earlier version of the CIPFA Code. The updating by CIPFA of the code and the issuing of a new framework require Pensions Committee to update its policies relating to training to be in accordance with the 2021 CIPFA guidance. The key elements of the revised CIPFA code and framework including the five key principles, the seven statements and eight core technical areas are described below. In line with the scope of the Code, it is proposed that the adoption of this 2021 Code of Practise be applicable to Pensions Committee, Pension Board members and also senior fund officers.
- 3.6 The CIPFA guidance anticipates at all LGPS funds will update their training policy considering the content of the 2021 code and framework. The updating of the approach to the learning and development of the members of Pensions Committee. Pension Board and senior fund officers will mean that members of the Committee and board will be required to undertake training and acquire knowledge and skills based on the latest CIPFA guidance.
- 3.7 The delivery of effective and comprehensive training is needed to facilitate the acquisition of necessary knowledge and understanding for those responsible for the governance, decision making and operation of the Pension Fund. Pensions Committee is the primary governance and decision-making body within MPF. However, officers and the Pension Board also have important roles in the overall governance of the Fund. Consequently, the Fund's approach to pensions knowledge and skills must include all of the Pensions Committee, Pension Board and senior fund officers.
- 3.8 In 2010, CIPFA issued its Pensions Knowledge and Skills Frameworks for Members and officers; these included six areas of knowledge and skills identified as core. These were:
- pensions legislative and governance context
 - pensions accounting and auditing standards
 - financial services procurement and relationship management
 - investment performance and risk management
 - financial markets and products knowledge
 - actuarial methods, standards and practices.

This framework for elected members was adopted by Committee as the basis for its training and development programme. A notable omission from the 2010 CIPFA Framework was that pensions administration was not included as a core area of knowledge and skills.

The new CIPFA Pensions Knowledge and Skills Guidance

3.9 In June 2021, CIPFA issued two documents which update and replace firstly the previous Code of Practice on Knowledge and Skills, and, secondly, the separate 2010 Pensions Knowledge and Skills Frameworks for Members and officers. The new Code of Practice on LGPS Knowledge and Skills seeks to “embed the requirements for identifying the adequacy of, acquiring and maintaining of, appropriate knowledge and skills”. The 2021 Code of Practice states “every LGPS administering authority should secure adequate resources and appropriate training” having also “set out the broad areas of knowledge required by those responsible for decision making, management, scrutiny or oversight of the LGPS”. CIPFA further indicates that those to whom the Code is applicable include Pensions Committee members, Pension Board members and fund officers. The Code goes on to state “it is hoped that all LGPS administering authorities will adopt this Code as part of their LGPS knowledge and skills policy (or equivalent) as appropriate to their circumstances. It is expected this will be the case for all administering authorities where key LGPS officers are CIPFA professional members”. The 2021 Code of Practice is underpinned by five key principles. These are similar to those in the previous versions of the Code but expanded to reflect the present regulatory and more complex environment within which the LGPS now operates. The five principles which underpin the 2021 Code of Practice are:

1. administering authorities responsible for the administration of the LGPS recognise that effective management, decision-making, governance and other aspects of the delivery of the LGPS can only be achieved where those involved have the requisite knowledge and skills to discharge the duties and responsibilities allocated to them.
2. administering authorities have the necessary resources in place to ensure all staff, members or other persons responsible for the management, decision making, governance and other aspects of the delivery of the LGPS acquire and retain the necessary LGPS knowledge and skills.
3. administering authorities have in place formal and comprehensive objectives, policies and practices, strategies and reporting arrangements to effectively acquire and retain LGPS knowledge and skills for those responsible for the management, delivery, governance and decision making of the LGPS.
4. the associated policies and practises are guided by reference to a comprehensive framework of knowledge and skills requirements such as those set down in the CIPFA LGPS Knowledge and Skills Framework, while also having regard for overriding legal requirements, The Pensions Regulator and other government guidance.
5. the administrative authority has designated a named individual to be responsible for ensuring that policies are implemented.

- 3.10 CIPFA recommends that all administering authorities adopt as part of their knowledge and skills framework, seven statements. These are:
1. This LGPS administering authority adopts the key principles of the Code of Practice on LGPS Knowledge and Skills.
 2. This LGPS administering authority recognises that effective management, governance, decision-making and other aspects of the delivery of the LGPS can only be achieved where those involved have the requisite knowledge and skills to discharge the duties and responsibilities allocated to them.
 3. This administering authority has in place formal and comprehensive objectives, policies and practises, strategies and reporting arrangements for the effective acquisition and retention of LGPS knowledge and skills for those responsible for the management, delivery, governance and decision making of the LGPS
 4. These policies and practices will be guided by reference to a comprehensive framework of knowledge and skills requirements such as those set down in the CIPFA LGPS Knowledge and Skills Framework.
 5. This administering authority will ensure that it has adequate resources in place to ensure all staff, members or other persons responsible for the management, decision making, governance and other aspects of the delivery of the LGPS acquire and retain the necessary LGPS knowledge and skills.
 6. This administering authority will report annually on how its knowledge and skills policy has been put into practise throughout the financial year in the fund's annual report.
 7. This administering authority has delegated the responsibility for the implementation of the requirements of the Code of Practice to the appropriate officer who will act in accordance with the administering authority's knowledge and skills policy statement.
- 3.11 It is recommended that Committee adopts the 2021 Code of Practice on LGPS Knowledge and Skills including the five principles and seven statements set out above.
- 3.12 In June 2021, CIPFA also issued the Knowledge and Skills framework for LGPS committee members and LGPS officers. This replaces the 2010 version. It reflects

the latest developments in the area of knowledge and skills for the LGPS at the time of publication. A separate framework remains in place for local pension board members.

3.13 The 2021 CIPFA Code and Framework identify eight core technical areas where appropriate knowledge and skills should be achieved and maintained. The eight core areas expand the six core areas identified by CIPFA in 2010. The eight core areas are:

- pensions legislation and guidance
- pensions governance
- funding strategy and actuarial methods
- pensions administration and communications
- pensions financial strategy, management, accounting, reporting and audit standards
- investment strategy, asset allocation, pooling, performance and risk management
- financial markets and products
- pension services procurement, contract management and relationship management

3.14 It is recommended that Pensions Committee adopts the eight core areas of knowledge and skills as those to be covered in its training policy and any other training delivered in accordance with that policy.

3.15 The 2021 Framework also provides guidance on the delivery, monitoring, reporting and compliance with the 2021 Knowledge and Skills Framework. This includes:

- Guidance on the training policy that is expected of all LGPS funds by the 2021 CIPFA Code of Practice
- The delivery of training
- Monitoring and ongoing review of knowledge and skills including recording attendance at training
- Reporting and compliance which includes reference to the fact that the 2021 Code of Practice requires each administering authority to designate a named individual with responsibility for ensuring their policies are implemented.

Learning and Development Opportunities

3.16 On occasion, formal training sessions are included in Investment Monitoring Working Parties. Nonetheless, presentations by external professional organisations and the

deliberative nature of all the working parties mean that attendance is regarded as an important element of Member development.

3.17 The Local Government Pensions Committee-organised 'Fundamentals' course is considered essential for all Members to complete. It provides a comprehensive overview of the LGPS and the 'trustee' role carried out by those serving on a pension committee/panel. The course takes place over three days (during October – December), on multiple dates and in multiple locations. While considered essential for new Members, longer serving Members of Pensions Committee may also wish to avail themselves of the course.

3.18 Members have access to the LGPS Online Learning Academy (LOLA) as an online training platform providing 'bitesize' learning modules. The varied subject matter provides the ability for individuals to absorb information at their own pace with access to further information on each module for a more in-depth understanding of a particular area.

The course includes six training modules and covers all the key areas to successfully govern the Fund. As well as delivering training support, the training platform tracks the progress of training plans and provides a record of activity. The platform allows participants to 'dip in and out' as and when time allows and it is recommended that completion of the course should be accomplished within the calendar year.

3.19 In addition to recommended training set out in 3.16 to 3.18, MPF provides Members with the opportunity to attend a range of virtual and in person LGPS pension-related events. An outline of those known events is attached as an appendix to this report. As other opportunities arise, they will be advised to Members.

4.0 FINANCIAL IMPLICATIONS

4.1 The Fund makes a budgetary provision for training. Members will be advised of the costs of events on a case-by-case basis.

5.0 LEGAL IMPLICATIONS

5.1 There is a statutory requirement for Pension Boards to evidence current levels of knowledge and understanding and for the Fund to include detailed information on training events offered and attended by elected Members in its annual report.

6.0 RESOURCE IMPLICATIONS: STAFFING, ICT AND ASSETS

6.1 As set out in section 4.

7.0 RELEVANT RISKS

7.1 Failure to maintain an appropriate level of knowledge and skills, commensurate with that thought appropriate for those acting in a trustee-like role in the LGPS, may impair effective decision-making and the requirements under MIFID II. Suitable and effective training and development activity should assist in mitigating this risk.

8.0 ENGAGEMENT/CONSULTATION

8.1 Training needs assessments are undertaken periodically to assist in the development of learning opportunities.

9.0 EQUALITY IMPLICATIONS

9.1 There are no equality implications arising from the report. The additional flexibility provided by online learning enhances the training offer to elected members. Support is available for Committee Members who may need assistance to access the programme.

10.0 ENVIRONMENT AND CLIMATE IMPLICATIONS

10.1 There are none arising from this report. The increased availability of virtual learning will help to reduce travel.

11.0 COMMUNITY WEALTH IMPLICATIONS

11.1 There are none arising from this report.

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APPENDICES

Appendix 1 Summary of known training opportunities.

BACKGROUND PAPERS

CIPFA Pensions Knowledge and Skills Framework [Pensions Knowledge and Skills Framework | CIPFA](#)

The Good Governance project [LGPS Scheme Advisory Board - Good Governance \(lgpsboard.org\)](#)

SUBJECT HISTORY (last 3 years)

Council Meeting	Date
This is an annual report to Pensions Committee	

APPENDIX 1

<u>MONTH (2023)</u>	<u>EVENT</u>
6-8 June	PLSA Investment Conference, Edinburgh
7 June	Investment Monitoring Working Party.
26-28 June	PLSA Local Authority Conference, Gloucester
6-8 September	LGC Investment & Pensions Summit, Leeds
6 September	Investment Monitoring Working Party
17-19 October	PLSA Annual Conference, Manchester
15 November	Investment Monitoring Working Party
16 November	Annual Employers Conference
October – December	LGA – LGPS Fundamentals training days; multiple dates & locations tbc
6-8 December	LAPFF Annual Conference, Bournemouth
<u>MONTH (2024)</u>	
January	LGPS Governance Conference
March	PLSA ESG conference. Online
March	Investment Monitoring Working Party
March	LGC Conference, Chester