

UPDATE ON MEMBERS' TRAINING

Purpose of the Report

1. The purpose of this report is to update the Committee on the recent developments on the requirements for Members' training in light of the revised Myners Principles and publication of the CIPFA's Knowledge and Skills framework (KSF).

Background

2. On 5 November 2009 a workshop seminar was held in order to assess Members' training needs in relation to the work of the Committee over the next four years. From the information gleaned from that event a Members' Training Plan was drafted and approved by this Committee on 19 November 2009.
3. Since then the revised Myners Principles have been published with '*Principle 1: Effective decision making*' requiring administering authorities to ensure that:
 1. *decisions are taken by persons or organisations with the skills, knowledge, advice and resources necessary to make them effectively and monitor their implementation; and*
 2. *those persons or organisations have sufficient expertise to be able to evaluate and challenge the advice they receive, and manage conflicts of interest.*
4. The purpose is to promote high quality decision making and improve Fund's performance against the increasing complexities faced by schemes. The intention is to equip Members, where necessary, with the skills and knowledge for this role on the pensions committee and to be able to question and challenge the information and advice they are given to make effective rational decisions.
5. To assist administering authorities determine the right skills set, CIPFA have developed a 'Knowledge and Skills Framework'. The intention is to provide a tool for the Fund to assess whether it has the correct skill mix to meet its financial management needs and to assess individuals to ensure their training needs are identified and to measure progress against the training plan.
6. Currently, the KSF is persuasive rather than mandatory. However, the Government is considering amending the LGPS regulations to force funds to disclose in their annual report whether the KSF has been adopted as a basis for training and development of its Members. Until then, the CIPFA pension panel recommend the voluntary disclosure in its annual report stating:
 - how the framework has been applied,
 - what assessment of training needs has been undertaken, and
 - what training has been delivered against these identified needs.

Main Consideration for Committee

CIPFA Knowledge & Skills Framework

7. The KSF is intended to apply to all members of the Committee (both voting and non-voting). However, CIPFA recognise that funds will tailor their approach to meet their different specific needs. A primary objective is the creation of a rolling annual training plan for Committee Members taking a medium term view that's aligned with valuation periods and the elections.
8. The KSF also recognises the more onerous roles of the Chairman and Vice chairman and suggests a specimen role specification which can be seen in appendix A.
9. There are in total six areas that the KSF have identified as core technical requirements for those working in public sector pensions finance. These are:
 1. pensions legislative and governance context
 2. pensions accounting and auditing standards
 3. financial services procurement and relationship management
 4. investment performance and risk management
 5. financial markets and products knowledge
 6. actuarial methods, standards and practices
10. All Members of this Committee require a general awareness in all the areas outlined above but may need a more detailed knowledge of specific issues and principles where necessary to have the confidence to make knowledgeable challenges to the information and advice being given.
11. It is recognised that some Members can be appointed to the Committee without any prior pensions knowledge and it is for the Chief Finance Officer and the Chairman to determine how long members need to meet the level of knowledge and skills set out in the framework.
12. The Pension Act 2004 requires trustees of pension schemes in the corporate sector to obtain the required knowledge and skills set within a six month period. CIPFA realise this might be impractical for most LGPS funds and have not been prescriptive on specific timescales. However, CIPFA will expect Funds to use a "comply or explain" approach to disclosure against the KSF in its annual report for 2010/11 at the latest so there will be a need to demonstrate that steps are being taken to ensure training needs are assessed and provided for where skill gaps exist.
13. An important step in assessing training needs and developing training plans is through the appropriate use of self-assessment tools. This could be achieved in-house or through a third party provider.

How does the Wiltshire Pension Fund's approach compare?

14. The Committee experienced a high turnover in elected Members in 2009. The Training Needs Assessment (TNA) workshop seminar was held on 5 November 2009 to assess Members' training needs.
15. Although a specific self-assessment wasn't undertaken for each Member, an open discussion was used to assess the training requirements. This then informed the Members Training Plan by incorporating the ideas, themes and preferences discussed at the TNA.

16. The current Members Training Plan (see appendix B) shows that the majority of training has been completed on schedule with the remaining areas associated with Investment Strategy, Investment Management and Pensions Benefits due to be undertaken by the end of October 2010.
17. The current plan provides an excellent platform for complying with the KSF and compares well to the position of many other LGPS Funds. The Committee can demonstrate a clear commitment to training, with the necessary emphasis on induction for new Members in their first year through a wide variety of sources. However, to ensure full compliance with the KSF in the future, the training plan will need developing in the lead up to the disclosure in the 2010/11 annual report.

What are the areas for development?

18. Ideally, the Members Training Plan should become a rolling programme that addresses the knowledge and skills gaps of its Members and is revised annually to account for specific issues.
19. Although the discussion format for identifying Members knowledge gaps provided useful analysis, without full attendance at training sessions it cannot be guaranteed that everyone will retain similar training needs. To achieve full compliance a more formal Member self-assessment process will be required for the future.
20. There is also a need for the Chairman and Vice chairman to undertake more specific training to ensure they meet the requirements of the role specification set out in appendix A.

Method of Self-Assessment?

21. Currently a KSF self-assessment tool is being developed by Hyman Robertson in conjunction with the CIPFA Pensions Network. This will be a web-based tool for testing and extending the knowledge of an individual. It will ultimately provide a self-assessment facility which can be used to build a training development plan and identify sources of information, advice and further reading. It will consist of modules designed to test the breadth of knowledge of the individual in all areas considered relevant to the role.
22. It will test knowledge through multiple choice questions. The tool will use prompts and answers to identify individual's areas of strengths and weaknesses and produce 'bite-sized' tutorials to boost knowledge levels.
23. This tool is attractive as it would ensure KSF compliance and could be undertaken by a Member at a time which suits them. It would also free up officers time from what could be a large administrative burden. However, currently no price or timescale can be provided so this option is not feasible in the short term.
24. An alternative option is for a high level assessment to be completed by each Member by the end of September which covers the areas outlined in the KSF. An example of this can be seen in appendix C. The results will then be used to inform and update the Members Training Plan. This is a similar approach that was undertaken by Members of this committee in July 2005 to identify areas where they felt they required more training.

Updated Members' Training Plan

25. A revised Members Training Plan could then be drafted and approved by this Committee at its December meeting. Following consultation with the Chairman and Vice Chairman, an additional Training Plan could be developed specifically for them to ensure they have the requisite skills to confidently undertake the role's requirements outlined in the role specification.

Financial Implications

26. An allowance has been made in the Pension Fund Administration Budget 2010-11 for the training of Members, so there would be no unplanned financial implications from these proposals.

Risk Assessment

27. The proposals in this paper would address PEN17 '*Lack of Expertise on Pension Fund Committee*' in the Risk Register outlined in the paper elsewhere on this agenda. The whole purpose of having and implementing a formal training plan is to reduce the risk of Members making decisions on issues on which they do not have the necessary level of knowledge. This in turn reduces the risk of weak governance and of bad investment decisions. It also reduces the potential for criticism from not complying with the Myners principles and the CIPFA/SOLACE *Delivering Good Governance in Local Government: Framework*.

Environmental Impact of the Proposals

28. This is no environmental impact of these proposals.

Proposals

29. The Committee is asked to:

- a) note the impact on Members Training as a result of the publication of the CIPFA Knowledge and Skills Framework; and
- b) approve the self-assessment exercise to be completed by all Members of the Wiltshire Pension Fund Committee by the end of September 2010; and
- c) note a revised Members Training Plan based on the results of the high level self-assessment will be presented to the December committee meeting for approval; and
- d) agree to adopt the role profile for the Chairman and Vice Chairman as outlined in appendix A; and
- e) agree that officers assess the Chairman's and Vice Chairman's training requirements to ensure they have the requisite skills to undertake the principal responsibilities of the post and to produce them a separate training plan.

MARTIN DONOVAN
Chief Finance Officer

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Unpublished documents relied upon in the production of this report:

NONE

APPENDIX A

SPECIMEN ROLE PROFILE – CHAIR OF A PENSION COMMITTEE

PURPOSE OF ROLE

The purpose of the role covers the strategy and operations of the pension fund; the proper administration of the pension scheme by the administering authority; the performance of the fund, its advisors and agents; and the proper governance of the committee and the fund.

PRINCIPAL RESPONSIBILITIES

1. Chair the pension committee to determine, after taking the advice of the Chief Finance Officer and other advisors:
 - a. The investment strategy of the fund or funds for which the committee is responsible
 - b. The contribution rates of the employing organisations whose current and retired employees are members of the LGPS
 - c. The appointment of investment and actuarial advisors and other third party services
 - d. The governance framework
 - e. The communications strategy of the fund or funds
2. Monitor:
 - a. The performance of the investments, the pension administration service, the advisors and agents of the fund and of the committee itself.
 - b. The costs of running the pension fund and scheme
 - c. Comments and feedback from stakeholders.
3. Consider and approve:
 - a. The annual report and accounts of the fund
 - b. Audit reports on the functioning of the committee and its services
 - c. Statements on investment principles, governance, administration and communication
 - d. The risk register and an annual risk analysis
 - e. The medium-term business plan and annual updates
 - f. Training and development plans and updates
 - g. Discretions given by statute and regulation to the committee in relation to benefits under LGPS.
4. Work with the Chief Finance Officer and other officers and advisors to plan an effective work programme for the committee.
5. Report to the administering authority and other employers, as stakeholders, using practical and appropriate means of communications, to give assurances about the fund's financial statements, risk management and internal control mechanisms.
6. Receive regular briefings from the Chief Finance Officer and other advisors in order to understand the context and implications of forthcoming issues.

WILTSHIRE PENSION FUND COMMITTEE – MEMBERS’ TRAINING PLAN – NOVEMBER 2009

TRAINING NEED	PROPOSED DELIVERY METHODS							COMPLETION TARGET DATE
	Member’s Handbook	Members’ Briefing Notes (Electronic)	Short Seminars (before Committee Meeting)	Internal Training Events (Internal & External Speakers)	External Conferences & Training Seminars	E-Learning (eg. Webcasts, Videos)	One-to-One Briefing with an officer	
GENERAL TRAINING								
General overview	✓							Completed
Members’ individual needs		✓			✓	✓	✓	As required - notify Head of Pensions
Specific items on committee agendas		✓	✓					As required
SPECIFIC ISSUES DISCUSSED AT TRAINING NEEDS ASSESSMENT ON 5/11/09								
Governance: <ul style="list-style-type: none"> • Legal Responsibility of Committee & Officers • Delegations to Officers • Governance Risk 		✓	✓					Completed
Benefits: <ul style="list-style-type: none"> • Discretions Policies of Fund and Employers • Member Communications (including Benefits Statements) • Assessing quality/risks of administration service • Data Protection / Security 				✓	✓			By 30 June 2010
Employer Types & Risks				✓	✓			Completed

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Actuarial Valuations & Funding (inc. Risk)				✓	✓			Completed
Investment Regulations & Guidance (LGPS / Myners)		✓	✓					Completed
Investment Strategy/Asset Allocation: <ul style="list-style-type: none"> • Employer covenant • Risk budgeting & Asset Allocation • Asset classes in detail • Active v Passive 				✓	✓	✓		By 31 October 2010
Investment Management: <ul style="list-style-type: none"> • Benchmark setting • Pooled v Segregated • Transaction costs / Fees / Commission Recapture • Securities Lending • Investment instruments • Investment terms • Risk measurement • Rebalancing 				✓	✓	✓		By 31 October 2010
Environmental, Social & Governance: <ul style="list-style-type: none"> • Voting • Activism (eg. LAPFF) • Best Practice (eg. UNPRI) 				✓	✓			Completed

WILTSHIRE PENSION FUND COMMITTEE - TRAINING NEEDS SELF-ASSESSMENT

HOW DO YOU RATE YOUR KNOWLEDGE ON THE FOLLOWING AREAS (Please tick one box)	Very Little	A Little	Good	Quite Good	Excellent	COMMENTS & SUGGESTIONS
1. Pensions legislative and governance context						
General Pensions Framework						
General awareness of pensions legislative framework in UK.						
Scheme-Specific legislation						
Overall understanding of legislation specific to LGPS.						
Awareness of the LGPS (Benefits, Membership and Contributions) Regs 2007 & LGPS (Admin) Regs. 2008						
Appreciation of LGPS discretions & how formulation of discretionary policies impacts on the pension fund, employers and local taxpayer.						
Knowledge on the role of the Administering Authority in relation to LGPS.						
Pension regulators & advisors						
Understanding of how the roles and powers of the Pension Regulator, the Pension Advisory Service and the Pension Ombudsman relate to the scheme.						
General constitutional framework						
Broad understanding of the role of pension fund committees in relation to the fund, administering authority, employers, scheme members and taxpayers.						
Awareness of the role and statutory responsibilities of the treasurer and monitoring officer.						
Pension scheme governance						
Awareness of the LGPS main features						
Knowledge of the Myners principles and associated CIPFA and SOLACE guidance.						

HOW DO YOU RATE YOUR KNOWLEDGE ON THE FOLLOWING AREAS (Please tick one box)	Very Little	A Little	Good	Quite Good	Excellent	COMMENTS & SUGGESTIONS
Knowledge of the duties and responsibilities of committee members.						
Knowledge of the stakeholders of the pension fund and the nature of their interests						
Knowledge of consultation, communication and involvement options relevant to the stakeholders.						
2. Pensions accounting and auditing standards						
Awareness of the Accounts and Audit regulations and the legislative requirements relating to the role of the committee and individual members in considering and signing off the accounts and annual report.						
Awareness of the role of both internal and external audit in the governance and assurance process.						
3. Financial services procurement and relationship management						
Understanding public procurement						
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.						
A general understanding of the main public procurement requirements of UK and EU legislation.						
Supplier risk management						
Awareness of the nature and scope of risks for the pension fund and of the importance of considering risk factors when selecting third parties.						
4. Investment performance and risk management						
Total fund						
Understanding of the importance of monitoring asset returns relative to the liabilities and a broad understanding of ways of assessing long-term risks.						
Performance of advisors						
Awareness of the Myners principles of performance management and the approach adopted by committee.						
Performance of committee						
Awareness of the Myners principles and the need to set targets for the committee and then report against them.						

HOW DO YOU RATE YOUR KNOWLEDGE ON THE FOLLOWING AREAS (Please tick one box)	Very Little	A Little	Good	Quite Good	Excellent	COMMENTS & SUGGESTIONS
Performance of support services						
Awareness of the range of support services, who supplies them and the nature of the performance monitoring regime.						
5. Financial markets and products knowledge						
Investment strategy						
Awareness of the risk and return characteristics of the main asset classes (equities, bonds, property).						
Understanding of the role of these asset classes in long-term pension fund investing.						
Financial markets						
Understanding the primary importance of the investment strategy decision.						
A broad understanding of the workings of the financial markets and the investment vehicles available to the pension fund and the nature of the associated risks.						
An awareness of the limits placed by regulation on the investment activities of LGPS schemes.						
6. Actuarial methods, standards and practices						
Valuations						
Knowledge of the valuation process, including developing the funding strategy in conjunction with the fund actuary, and inter-valuation monitoring.						
Awareness of the importance of monitoring early and ill health retirement strain costs.						
A broad understanding of the implications of including new employers into the fund and the cessation of existing employers.						
Outsourcing						
A general awareness of the relevant considerations in relations to outsourcings and bulk transfers.						

Name:

Signature (if submitted as hard copy):

Date:

