

## **Item: 5**

**Pension Fund Sub-committee: 28 February 2024.**

**Pension Fund Training.**

**Report by Head of Finance.**

### **1. Purpose of Report**

To review the training plan for 2023 and consider a training plan for 2024.

### **2. Recommendations**

The Sub-committee is invited to note:

#### **2.1.**

Progress made over the 12-month period to 31 December 2023 in relation to meeting the training needs of members of the Pension Fund Sub-committee and the Pension Board, against core areas of Public Sector Pensions Finance Knowledge and Skills Framework, attached as Appendix 1 to this report.

#### **2.2.**

That, over the 12-month period to 31 December 2023, a total of 29.25 hours of training was offered to members of the Pension Fund Sub-committee and the Pension Board.

#### **2.3.**

That all members of the Pension Fund Sub-committee, together with six of the eight members of the Pension Board, have, over the 12-month period to 31 December 2023, achieved the minimum requirement of participation in at least one training event, or equivalent to five hours training.

#### **2.4.**

That the members of the Pension Board who have not achieved the minimum requirement for training are:

- A union representative, who has cited work pressure as making it difficult to attend training events.
- An employer representative who only joined the Board in quarter 3 of 2023.

**It is recommended:**

## **2.5.**

That the Annual Training Plan for 2024 for members of the Pension Fund Subcommittee and the Pension Board, attached as Appendix 2 to this report, be approved.

## **3. Background**

### **3.1.**

The Council, as administering authority of the Orkney Islands Council Pension Fund, recognises the importance of providing appropriate training to both members and officers in relation to the operation of the Pension Fund. Accordingly, the Council adopted a Training Policy Statement in April 2015.

### **3.2.**

These arrangements have been strengthened through adoption of the Chartered Institute of Public Finance and Accountancy Code of Practice on Public Sector Pensions Finance Knowledge and Skills, together with supporting Framework and guidance documentation. The Code and Framework were developed in recognition of the complex and ever-changing environment of Local Government Pension Scheme finance, and specifically to address the governance requirements.

### **3.3.**

Adoption of the supporting Framework is recognised as best practice and specifically aims to strengthen the Pension Fund's approach to the planning and monitoring of training delivered and provides additional support for assessing the training needs of individual members and officers, through the use of self-assessment tools.

### **3.4.**

Members and officers are encouraged to carry out the self-assessment to identify training needs. Members may then wish to approach relevant senior officers to discuss how individual training needs can be met. In doing so it is, however, important for members to appreciate that an in-depth knowledge of all the core knowledge areas is neither assumed nor necessary. In many cases what the framework expects is only an understanding or awareness of the area, and knowledge of where more detailed knowledge could be sought. Members are not necessarily expected to have in-depth knowledge of all matters relating to the Local Government Pension Scheme, but rather a general appreciation of the issues together with an understanding of where they might source further information, if required.

## **4. Review of 2023 Training Plan**

### **4.1.**

The training programme and assessment of need is based around a combination of new developments and legislative changes, topical/live pension issues, member feedback and specific requests for training.

### **4.2.**

Group training is delivered through a variety of mediums including:

- Formal reports and presentations to the Pension Fund Sub-committee and the Pension Board.
- Specific training sessions/conferences/seminars, provided by Council officers, investment managers, and investment advisors, including national bodies.

### **4.3.**

In the 12-month period to 31 December 2023, 18 training sessions were provided. In addition to presentations by Council officers, Fund Actuaries and External Audit, members and officers were given the opportunity to attend one seminar, which one member and one officer attended. The seminar was as follows:

- 19-20 October 2023 – Local Government Chronicle Investment Seminar for Scottish Pension Funds, Edinburgh.

### **4.4.**

The number of times the skills areas from the Public Sector Pensions Finance Knowledge and Skills Framework have been covered during the training sessions, referred to at section 4.3 above, is detailed in Appendix 1 to this report.

### **4.5.**

A total of 29.25 hours of training was offered to members of the Pension Fund Sub-committee and the Pension Board over the 12-month period to 31 December 2023. All members of the Pension Fund Sub-committee have achieved the minimum requirements of participation in at least one training event, or equivalent to five hours training. Six of the eight members of the Pension Board have also achieved the minimum requirements. One member of the Pension Board who did not achieve the required minimum participation advised this was due to competing work pressures making attendance difficult. Regular contact has been made with the member. However, to date no solution has been found to enable them to attend and a replacement Trade Union representative has not been put forward. A second member of the Pension Board did not achieve the required minimum participation. However, this member only joined the Board in the third quarter of 2023.

## **5. Training Plan for 2024**

### **5.1.**

The proposed Training Plan for 2024, attached as Appendix 2 to this report, will continue to maintain a focus on the Public Sector Pensions Finance Knowledge and Skills Framework. In addition, members and officers should make use of the Pensions Regulator's [Trustee Toolkit](#). This online resource will enable users to target the areas of knowledge they feel would benefit them most by completing individual modules at a time that is convenient.

### **5.2.**

The Toolkit consists of 11 modules, nine of which are relevant to defined benefit schemes such as Orkney Islands Council's Pension Fund, as follows:

- Introducing pension schemes.
- The Trustee's role.
- Running a scheme.
- Pensions law.
- An introduction to investment.
- How a defined benefits scheme works.
- Funding your defined benefits scheme.
- Defined benefit recovery plans, contributions and funding principles.
- Investment in a defined benefit scheme.

### **5.3.**

All members must participate in at least one training event, or equivalent to five hours training, as a minimum requirement, each financial year.

## **6. Corporate Governance**

### **6.1.**

This report, which relates to the Council, as Administering Authority of the Orkney Islands Council Pension Fund, is presented in order to comply with internal governance and reporting requirements and is not for the exclusive purpose of supporting or relating to improved outcomes for communities as detailed in the Council Plan or the Local Outcomes Improvement Plan.

### **6.2.**

In terms of the Scheme of Administration, the responsibility to discharge all functions and responsibilities relating to the Council's role as administering authority of the Orkney Islands Council Pension Fund is delegated to the Pension Fund Sub-committee.

## **7. Financial Implications**

Provision of appropriate training has resulted in a modest level of additional expenditure that has been met from within the approved revenue budget for the Orkney Islands Council Pension Fund.

## **8. Legal Aspects**

In terms of Section 95 of the Local Government (Scotland) Act 1973 every local authority shall make arrangements for the proper administration of their financial affairs and shall secure that the proper officer of the authority has responsibility for the administration of those affairs.

## **9. Contact Officers**

Erik Knight, Head of Finance, extension 2127, Email [erik.knight@orkney.gov.uk](mailto:erik.knight@orkney.gov.uk).

Shonagh Merriman, Service Manager (Corporate Finance), extension 2105, Email [shonagh.merriman@orkney.gov.uk](mailto:shonagh.merriman@orkney.gov.uk).

## **10. Appendices**

Appendix 1: Training provided for the 12-month period to 31 December 2023.

Appendix 2: Annual Training Plan 2024.

Skills area		No of times covered by training
<b>Pensions legislative and governance context</b>	<b>General pensions framework</b> A general awareness of the pensions legislative framework in the UK	3
	<b>Scheme-specific legislation</b> An overall understanding of the legislation specific to the scheme and the main features relating to benefits, administration and investment	1
	An awareness of the LGPS (Benefits, Membership and Contributions) Regulations 2007 and LGPS (Administration) Regulations 2008 and their main features	1
	An appreciation of LGPS discretions and how the formulation of the discretionary policies impacts on the pension fund, employers and local taxpayers	0
	A regularly updated appreciation of the latest changes to the scheme rules.	0
	Knowledge of the role of the administering authority in relation to the LGPS	2
	<b>Pensions regulators and advisors</b> An understanding of how the roles and powers of the Pensions Regulator, the Pensions Advisory Service and the Pensions Ombudsman relate to the workings of the scheme.	0
	<b>General constitutional framework</b> Broad understanding of the role of pension fund committees in relation to the fund, administering authority, employing authorities, scheme members and taxpayers.	6
	Awareness of the role and statutory responsibilities of the treasurer and monitoring officer.	9
	<b>Pension scheme governance</b> An awareness of the LGPS main features.	1
	Knowledge of the Myners principles and associated CIPFA and SOLACE guidance.	3
	A detailed knowledge of the duties and responsibilities of committee members	2
	Knowledge of the stakeholders of the pension fund and the nature of their interests.	4
	Knowledge of consultation, communication and involvement options relevant to the stakeholders.	3
<b>Pensions accounting and auditing standards</b>	Awareness of the Accounts and Audit Regulations and legislative requirements relating to the role of the committee and individual members in considering and signing off the accounts and annual report.	5
	Awareness of the role of both internal and external audit in the governance and assurance process.	4

Skills area		No of times covered by training
<b>Financial services procurement and relationship management</b>	<b>Understanding public procurement</b> Understanding of the background to current public procedures, and of the values and scope of public procurement and the roles of key decision makers and organisations.	0
	A general understanding of the main public procurement requirements of UK and EU legislation	0
	<b>Supplier risk management</b> Awareness of the nature and scope of risks for the pension fund and of the importance of considering risk factors when selecting third parties.	9
<b>Investment performance and risk management</b>	<b>Total Fund</b> Understanding of the importance of monitoring asset returns relative to the liabilities and a broad understanding of ways of assessing long-term risks.	11
	<b>Performance of advisors</b> Awareness of the Myners principles of performance management and the approach adopted by the committee.	7
	<b>Performance of the committee</b> Awareness of the Myners principles and the need to set targets for the committee and to report against them.	8
	<b>Performance of support services</b> Awareness of the range of support services, who supplies them and then nature of the performance monitoring regime.	2
<b>Financial markets and product knowledge</b>	<b>Investment Strategy</b> 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.	15
	<b>Financial Markets</b> Understanding of the primary importance of the investment strategy decision.	14
	A broad understanding of the workings of the financial markets and of the investment vehicles available to the pension fund and the nature of the associated risks.	14
	An awareness of the limits placed by regulation on the investment activities of local government pension funds.	12
<b>Actuarial methods, standards and practices</b>	<b>Valuations</b> Knowledge of the valuation process, including developing the funding strategy in conjunction with the fund actuary, and inter-valuation monitoring.	4
	Awareness of the importance of monitoring early and ill health retirement strain costs.	2
	A broad understanding of the implications of including new employers into the fund and of the cessation of existing employers.	2
	<b>Outsourcing</b> A general awareness of the relevant considerations in relation to outsourcings and bulk transfers.	0
	Ethical Investing (additional learning aim requested by Cllrs)	14



## **ORKNEY** **ISLANDS COUNCIL**

# **Pension Fund Training Plan**

## **2024**

### **1. Introduction**

The Orkney Islands Council Pension Fund is committed to providing training to those involved in the governance of the Fund to ensure that they have the skills and understanding required to carry out their stewardship role. This includes regular events to cover the latest developments in the Local Government Pension Scheme, investment strategy and performance monitoring. In April 2015, the Pension Fund Sub-committee adopted the CIPFA Code of Practice on Public Sector Pensions Finance Knowledge and Skills.

It is important that members of both the Pension Fund Sub-committee and the Pension Board receive appropriate training to allow them to carry out their roles effectively

This training plan sets out how levels of understanding will be assessed, and how the knowledge and skills requirement and other regulatory requirements will be supported through training events over the next financial year.

### **2. Knowledge and Skills Framework**

There are six areas of knowledge and skills that have been identified as the core requirements for those with decision making responsibility for Local Government Pension Scheme funds. They are:

- 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.



Members of the Pension Fund Sub-committee and the Pension Board are expected to have a collective understanding and Officers are expected to have detailed understanding of these areas of knowledge and skills.

### **3. Pension Board Specific Requirements**

Members of the Pension Board are required to have the capacity to take on the role of assisting the Scheme Manager in relation to compliance with scheme regulations and the requirements of the Pensions Regulator.

In addition, in accordance with Section 248A of the Pensions Act 2004 which was introduced to make provision relating to pensions and financial planning for retirement, it is expected that every individual who is a member of a Local Pension Board will receive training, and as a result:

- Be conversant with the regulations governing the Local Government Pension Scheme, such as the Transitional Regulations and the Investment Regulations.
- Be conversant with any policy document relating to administration of the Fund.
- Have knowledge and understanding of the law relating to pensions.
- Have knowledge and understanding of such other matters as may be prescribed.

### **4. Committee and Pension Board Training**

Training for the Pension Fund Sub-committee and the Pension Board during 2024 will continue to focus on the following areas:

#### **Knowledge and Skills Framework**

All training will focus on maintaining the six areas of knowledge and skills, with any gaps in knowledge identified throughout the past year and including the periodic use of member's self-assessment returns where appropriate.

#### **Training Events**

Expressions of interest are sought from members to attend relevant industry events, including conferences and seminars throughout the year. In the event that there is more interest to attend an event than places available, a decision to determine who should get approval to attend will be made by the Head of Finance, in consultation with the Chair of the Pension Fund Sub-committee, will determine appropriate representation and approve attendance.

#### **Informative Review Presentations**

Members will receive regular reports on the performance of the administration and investment functions throughout the year. In addition to this Members will be invited to attend informative review presentations by external advisors including the Pension Fund's appointed actuaries, investment advisors and fund managers.

#### **Electronic Resources**

Members are invited to access training information available on the Pension Regulator's website setting out the governance requirements of the local government

pension scheme, including the respective roles of the Pension Fund Sub-committee and Pension Board at the following link:

<https://trusteetoolkit.thepensionsregulator.gov.uk/login/index.php>

Additionally, resources from previous training events have been made available to Councillors on their Council electronic device under “Training”. Training materials will be added to this folder going forward as and when events occur.

## 5. Responsible Investment Training

In order to maintain compliance with the requirements of the Pension Fund Committee Responsible Investment Policy, Members will receive regular training on Responsible Investment in order for them to have sufficient understanding of the topic to support and inform decision making.

## 6. Other Training

Where gaps in individual members’ knowledge have been identified that will not be met by the core training described above, then Members should approach Officers in the first instance with a view to addressing those needs.

Specific training can also be provided for the Chair of the Pension Fund Sub-committee and Pension Board to support them in their role, if required.

## 7. Officer Training

It is important that Officers have the required training to carry out the tasks of managing the Fund’s investments and administering the payment of benefits. The knowledge and skills required of staff are set out in their job descriptions, including any formal qualifications required. Officers should be familiar with the requirements of the CIPFA Code of Practice on Knowledge and Skills and should have knowledge of the six areas of the framework.

Officers will attend relevant professional training events, conferences and seminars during the year to ensure that they remain up-to-date with the latest requirements. In addition, they will be expected to keep up-to-date through use of the internet, and conduct research on relevant issues where required

For Officers, there will be a particular focus on the following areas:

**Governance** – Understanding the guidance and regulations in relation to local pension boards and keeping up-to-date with how other Funds are working with their boards, in order that the Pension Board can be supported effectively and add value to the governance of the Fund.

**New Investment Arrangements** – Understanding the implications of how the Financial Conduct Authority will implement the Markets in Financial Instruments Directive (MiFIDII) and what the Fund will need to do to comply.

**New Investment Products** – Keeping up-to-date with what the market is offering, in order to assess the validity of new products for investment by the Fund.

**Accounting Issues** – Keeping up-to-date with the latest CIPFA guidance on the format of the Pension Fund Statement of Accounts and the content of the Annual Report.

**Pensions Admin Regulations** – Understanding the latest guidance and interpretation of changes to LGPS Regulations and their impact on procedures.

**Pensions Admin Systems** - Keeping up-to-date with updates/new releases to the software system Altair, passing training onto all staff.

**Wider Pensions Issues** – Understanding the impact of wider Government reforms to pensions, such as “freedom and choice” on the LGPS.

## **8. Reporting and Compliance**

In line with the CIPFA Code of Practice, a disclosure will be made in the Fund’s Annual Report and Accounts that covers:

- How the Skills and Knowledge framework has been applied.
- What assessment of training needs has been undertaken.
- What training has been delivered against the identified training needs.