

Appendix E

LONDON BOROUGH OF CROYDON PENSION FUND

KNOWLEDGE AND SKILLS / TRAINING POLICY

Introduction

This is the Knowledge and Skills / Training Policy (Policy) of the London Borough of Croydon Pension Fund (Fund) which is managed and administered by the Council. The Policy details the training strategy for members of the Pension Committee, the Pension Board and Officers, including the Section 151 Officer, involved in the management of the Fund.

The Council has delegated responsibility for the implementation of this Policy to the Corporate Director of Resources and Section 151 Officer.

The SAB Good Governance Review is awaiting completion but it is expected that the guidance should clarify that the expectation is that the TPR requirements that apply to Local Pension Boards should equally apply to pension committees in respect of knowledge and skills and training. As a minimum those sitting on pension committees or the equivalent should comply with the requirements of MiFID* II opt-up to act as a professional client but the expectation is that a higher level and broader range of knowledge will be required.

**Following the introduction of Markets in Financial Instruments Directive (MiFID II) legislation in January 2018, financial institutions can no longer categorise a local authority as a “per se professional client”. Instead, a local authority must be classified as a “retail client” unless opted up by the financial institutions to “elective professional client” status. To attain professional status a Fund, as a collective, must be able to demonstrate sufficient expertise, experience and knowledge to satisfy financial institutions that it is capable of making investment decisions and understanding the nature of potential risks. This Policy assists the Fund in ensuring that levels of expertise, experience and knowledge are maintained to satisfy the MiFID II requirements.*

The Good Governance Review also states:

A pension committee member should put aside political considerations, act in the interest of all employers and members and act within a regulatory framework.

Aims and objectives

The Fund’s “governance” objectives are set out in its Governance Policy Statement and prominent amongst them is that:

- All officers and Pension Committee Members charged with the financial administration and decision-making with regard to the Fund are fully equipped with

the knowledge and skills to discharge the duties and responsibilities allocated to them.

All members and officers to whom this Policy applies are expected continually to demonstrate their personal commitment to training and to ensuring that the knowledge and skills objective is met.

To assist in achieving the objective the Fund will aim to comply with:

- CIPFA Knowledge and Skills Frameworks;
- Knowledge and understanding requirements of the Pensions Act 2004 and the Public Service Pensions Act 2013; and
- The Pensions Regulator's (TPR) Code of Practice for Governance and Administration of Public Service Pension Schemes (Code of Practice No 14).
- .

CIPFA and TPR Knowledge and Skills Requirements

In January 2010 CIPFA launched technical guidance for Representatives on Pensions Committees and non-executives in the public sector contained in a knowledge and skills framework. The Framework detailed the knowledge and skills required by those responsible for pension scheme financial management and decision making in the public sector.

This has now been updated in the CIPFA Knowledge and Skills Framework for LGPS Committee and LGPS Officers 2021. The framework states that regardless of the range of responsibilities, those exercising a delegated responsibility on behalf of the administering authority and to whom this framework applies must be conversant with:

- the rules of the LGPS, and
- any document recording policy about the funding, investment, administration, communications or governance which is for the time being adopted in relation to the scheme.

Such persons must have knowledge and understanding of:

- the law relating to pensions, and
- such other matters as may be prescribed in legislation and guidance

A pension committee must:

- be able to demonstrate that it has the skills, knowledge and experience appropriate for governing its fund
- have a balance of knowledge and skills across the membership of the committee
- be able to apply that knowledge and skills in governing the fund.

Expectations in relation to Pension Committee Members are as follows:

- committing to undertake the role for a term of office
- having the capacity to attend meetings
- attending and participating constructively in meetings
- undertaking training and development appropriate to their role

- approaching matters with an open and independent mind, avoiding any pre-determination or bias
- having the confidence to challenge, influence and engage
- operating within the terms of reference of the committee and the administering authority's code of conduct.

Corporate Director of Resources and Section 151 Officer and Senior Officers

As a Chief Finance Officer has, as a minimum, statutory Section 151 responsibilities under the Local Government Act 1972 in respect of an administering authority, they must keep their knowledge of the LGPS up to date, and this should be evidenced through regular, continued professional development.

Similarly, the Code of Practice also relates to all individuals responsible for the management of the LGPS or who have a decision-making, scrutiny or oversight role. The degree of knowledge and understanding required is that which is appropriate for the purposes of enabling the individual to properly exercise their delegated responsibility on behalf of the administering authority.

In July 2015 CIPFA launched technical guidance for Local Pension Board members by extending the existing knowledge and skills framework. The new Framework details the knowledge and skills required by Pension Board members to enable them properly to exercise their functions under Section 248A of the Pensions Act 2004, as amended by the Public Service Pensions Act 2013. This guidance increases the emphasis on Pensions legislation and governance and highlights Pensions Administration as a new and separate area of knowledge and skills. The matrix for the pension board is attached as appendix C

The Framework covers eight areas of knowledge and skills identified as the core requirements:

- pensions legislation;
- pensions governance;
- pension accounting and auditing standards;
- pensions administration and communications;
- pension services procurement and relationship management;
- investment performance and risk management;
- financial markets and products knowledge; and
- actuarial methods, standards and practice.

The two primary roles of the Framework are:

- To enable the organisation to determine whether they have an adequate skills mix to meet their financial needs; and
- To allow individuals to assess their training needs, measure their progress and plan their development

The knowledge matrices for pension committee members and for senior officers are based on the core areas of knowledge listed above. They set out a list of competencies in each of the areas. They are attached to this policy as appendices A (committee members) and B (senior officers).

In 2016 CIPFA issued Investment Pooling Governance Principles for LGPS Administering Authorities, incorporating competencies relating to pooling in the LGPS. As regards training the key requirements are that Administering Authorities:

- Clearly articulate the knowledge and skills requirements in a Fund policy;
- Provide ongoing training in an effective and suitable manner to meet those requirements;
- Regularly review whether knowledge aspirations are being met; and
- Ensure that they rely appropriately on officers and advisers to provide expert knowledge.

CIPFA's Code of Practice recommends (amongst other things) that Local Government Pension Scheme (LGPS) administering authorities:

- Formally adopt the CIPFA Knowledge and Skills Frameworks (or an alternative training programme);
- Ensure that the appropriate policies and procedures are put in place to meet the requirements of the Frameworks (or an alternative training programme); and
- Publicly report how these arrangements have been put into practice each year.

The Pensions Act 2004 and the Pensions Regulator's Code of Practice

Section 248A of the Pensions Act 2004, as amended by the Public Service Pensions Act 2013 (PSPA13) requires Pension Board members to be conversant with the rules of the LGPS and any document recording policy about the administration of the LGPS; and have knowledge and understanding of the law relating to pensions and any other matters which are prescribed in regulations.

The degree of knowledge and understanding required is that appropriate for the purposes of enabling the individual properly to exercise the functions of a member of the LGPS Local Pension Board.

These requirements have been incorporated and expanded on within The Pensions Regulator's Code of Practice 14 *Governance and administration of public service pension schemes*, effective from April 2015. Guidance has been issued by the Local Government Pension Scheme Advisory Board which details how these requirements relate to LGPS administering authorities. A Knowledge and Skills requirements document has been produced to meet these requirements (**Annex A**). The TPR are in the process of updating their code of practice and this policy will be reviewed once it has been finalised.

The Pensions Regulator's Code of Practice 14: Governance and Administration of Public Service Pension Schemes

This Code details the documents that pension board members need to be conversant with.

In paragraphs 43 to 44 the Code states:

For pension board members of funded pension schemes, documents which record policy about the administration of the scheme will include those relating to funding and investment matters. For example, where relevant they must be conversant with the statement of investment principles and the funding strategy statement. Pension board members must also be conversant with any other documented policies relating to the administration of the scheme. For example, where applicable, they must be conversant with policies relating to:

- *the contribution rate or amount (or the range/variability where there is no one single rate or amount) payable by employers participating in the scheme;*
- *statements of assurance (for example, assurance reports from administrators);*
- *third party contracts and service level agreements;*
- *stewardship reports from outsourced service providers (for example, those performing outsourced activities such as scheme administration), including about compliance issues scheme annual reports and accounts;*
- *accounting requirements relevant to the scheme;*
- *audit reports, including from outsourced service providers; and* ▪ *other scheme-specific governance documents.*

CIPFA Principles of Investment Decision Making and Disclosure

In response to the Government's report updating the Myners Principles, LGPS Administering Authorities are required to prepare and maintain statements of compliance against a set of six principles for pension fund investment, scheme governance, disclosure and consultation. These are included in the Investment Strategy Statement. The six principles are:

- Effective decision making
- Clear objectives
- Risk and liabilities
- Performance assessment
- Responsible ownership
- Transparency and reporting

Measuring and Monitoring Requirements

Evaluation

The CIPFA Framework requires administering authorities to monitor and review knowledge and skills of members and senior officers. As a minimum the following is required:

- record attendance at training and ensure action is taken where poor attendance is identified

- prepare tailored training plans for committee members and officers
- require members and officers to undertake self-assessment against the required competencies as set out in the Framework
- communicate regularly with members and officers, encouraging them to highlight training needs on an ongoing basis.

A record of training attended should be kept up to date and made available to stakeholders in the fund's annual report and accounts each year. Members are responsible for ensuring their training record is up to date and accurate.

On appointment, and annually thereafter, Pension Board and Pension Committee members will be asked to complete a competency self-assessment matrix. This will highlight skills gaps or areas for further development. The results of this will be used to inform the development of the training plan.

Training programmes will be flexible, allowing Board and Committee members to update particular areas of learning where required and acquire new areas of knowledge in the event of any changes or developments.

Members need to commit sufficient time to complete their learning needs.

A report will be presented to the Pension Committee on an annual basis setting out:

- The training provided/attended in the previous year at an individual level;
- Commentary on how this compares to the Training Plan; and
- Any actions required, such as a review of the Training Plan.

This information will also be included in the Fund's Annual Report and Accounts.

Pension Committee members and Pension Board members will be provided with details of forthcoming seminars, conferences and other relevant training events as well as an annual summary of the events attended.

Training will be a standing item on all Board and Committee meeting agendas.

In order to identify whether the objectives of this Policy are being met, the Administering Authority will maintain a training log which records attendance at training and compares this to the Training Plan.

Delivery

Training and developments support will be delivered through a variety of methods including:

- The Pensions Regulator's on-line toolkit;
- Free subscription to The Pensions Regulator's news by email service;
- Pension Committee and Board training items at meetings;
- Specific training sessions either internally developed or shared with other funds;
- Fund manager training;
- Investment Advisor and Actuary training;
- London CIV training;
- On -line Training facility provided by Hymans

- On-line facilities;
- Reading materials; and
- Personalised training.

Where appropriate, training will be provided jointly for the Board, Committee and officers.

Initial information and induction process

On joining the Pension Committee, the Pension Board or on appointment as a Senior Officer, individuals will be provided with access to the following Fund documentation:

- Members guide to the LGPS;
 - Latest Actuarial Valuation report;
 - Annual Report and Accounts;
 - Funding Strategy Statement;
 - Governance Policy and Compliance Statement;
 - Investment Strategy Statement including the Fund's statement of compliance with the Myners Principles;
 - Communications Policy;
 - Discretionary Policies; and
 - This Training Policy
-
- Pensions Administration Strategy
 - Access to all other Fund Policies

An induction module is available on the Hymans on-line training application which is available for committee members, board members and relevant Officers (including the Section 151 Officer) to access at any time.

Additionally, a Croydon-specific induction presentation has been created which will be provided to board and committee members and relevant officers (including the S151 Officer) on appointment.

Induction training sessions will be provided as required.

Demonstrating knowledge and understanding

The Council will maintain records of the learning of individual Board and Committee members, the Section 151 officer and the Board and Committee as a whole. This will assist members in demonstrating their compliance with their legal requirements and how risks associated with knowledge gaps have been mitigated. The training logs are published with the Fund's Annual Reports.

Costs

Any cost involved in providing training will be met directly by the Fund.

Key Risks

Nature of the Risks

The key risks to the delivery of this Policy are outlined below. The Pension Committee members, with the assistance of the Pension Board and Senior officers, will monitor these and other key risks and consider how to respond to them.

- Changes in Pension Committee and/or Pension Board membership and/or Senior Officers potentially diminishing knowledge and understanding;
- Poor attendance and/or a lack of engagement at training and/or formal meetings by Committee members, Board members and/or other Senior Officers resulting in a poor standard of decision making and/or monitoring;
- Insufficient resources being available to deliver or arrange the required training; and
- The quality of advice or training provided not being of an acceptable standard

How the Risks will be Measured / Monitored

The Risk Register has been adopted by the Pension Committee and Pension Board and will be reviewed at alternate meetings of each.

Consultation

A Governance review was carried out by Aon Hewitt and a report making recommendations was published on 30 May 2019. An action plan was approved by the Pension Committee on 11 February 2020, together with a recommendation to review progress on delivery of the plan in 12 months. This Policy addresses the recommendations made in the Review as follows:

- To introduce a policy covering the Pension Board, The Pension Committee and senior officers.
 - Have regard to the work with the London CIV
 - Be supported by training with reference to the CIPFA guidance
 - Should include a list of documents that the Board, Committee and senior officers should be conversant with. **(Annex D)**
 - Link with training needs assessment and monitoring; all members and senior officers should complete the TPR toolkit.
 - Implement a training plan and annual assessment
 - Introduce Induction training
 - Consider further training opportunities including external events
-
- Maintaining an up- to- date training log

Approval, Review and Effective Date

The updated Pension Board Training Policy was approved by the Board at their meeting of 17 October 2019 and an amended Fund policy incorporating the CIPFA Local Pension Boards Framework and encompassing the Pension Committee and Senior Officers was approved by the Pension Committee at their meeting of 17 March 2020 and is effective from this date. This policy further incorporates recommendations of the 2021 governance review and the 2021 CIPFA knowledge and skills frameworks and is effective from 14 June 2022.

This Policy will be formally reviewed and updated every three years or sooner if the training arrangements or other matters included within it merit reconsideration.

Roles and Responsibilities

The Council has delegated responsibility for the implementation of this policy to the Corporate Director of Resources and Section 151 Officer.

The Implementation, assessment and management of the Training Plan will be carried out by the Governance and Compliance Manager, reporting to the Head of Pensions and Treasury.