

Local Pension Board

22 March 2024

Pension Fund Training Policy and Governance Compliance



Report of Paul Darby, Corporate Director of Resources

Purpose of the Report

- 1 To seek agreement to a Local Pension Board Training Plan, as part of a wider training approach to be adopted by the Fund, and to seek any comments on the Fund's Governance Compliance Statment.

Executive summary

- 2 Appropriate training is increasingly important for members of LGPS Boards, with heightened expectations from both the Pensions Regulator and DLUHC. The Fund's Training Policy is intended to codify the approach to training into a single, published, document to be reviewed annually.
- 3 Under Regulation 55 of the Local Government Pension Scheme Regulations 2013, Durham County Council in its capacity as Administering Authority for the Pension Fund, must prepare a written statement (the 'Governance Compliance Statement') setting out "the extent to which a delegation, or the absence of a delegation, complies with guidance given by the Secretary of State and, to the extent that it does not so comply, the reasons for not complying".

Recommendation(s)

- 4 It is recommended that the Board:
 - (a) note the report and advise of any comments they may have on the Training Policy,
 - (b) agree the Training Requirements set out in Table (1) of the Outline Training Policy, noting the further information provided in Table (2),
 - (c) authorise the Corporate Director of Resources to publish details of training activity and attendance at Board meetings,

- (d) advise of any comments on the Governance Compliance Statement to assist the Corporate Director of Resources to finalise the wording of the Statement having taken into account where appropriate both professional advice as well as comments received from employers, and publish a final version by 31 March 2020,
- (e) note the intention of the Corporate Director of Resources to finalise the wording of, and publish and maintain a Pension Fund Training Policy for members of both the Committee and Local Pension Board, following appropriate consultation and feedback from the Committee, and;
- (f) support the intention for a review of the composition of the Board.

Training Policy

- 5 The Durham County Council Pension Fund is committed to the training of those involved in the Fund's governance and ensuring that individually and collectively the Fund's governance bodies have the necessary skills and knowledge to act effectively in line with their responsibilities; and provide effective challenge to Officers, Advisors, the Pool, and the Fund's asset managers.
- 6 The amount of training required has increased in recent years, as have expectations from both the Pensions Regulator and DLUHC regarding governing body development. The Outline Policy proposed in Appendix 1 seeks to formalise an approach into a single document for ease of reference and to provide assurance to the Fund's external stakeholders. The Policy will also be useful in the future for prospective Board Members.
- 7 The Policy sets out the context for the proposed approach, including regulatory requirements and the Regulator's recently laid general code of practice. The requirements for Board Members are set out in Table (1) of the Policy, with further information detailed in Table (2). It is proposed that a review of effectiveness of the training provision is undertaken alongside a Training Needs Self-Assessment before the end of 2024/25. The output will inform the development of the Fund's Training Plan for 2025/26. It is proposed that individual training records are published in the 2025 Governance Compliance Statement, though Board agreement for this will be sought in March 2025.
- 8 It should be noted that, a similar Outline Policy was taken to the Pension Fund Committee for comment and consultation, with the intention of combining the two into a single 'whole of Fund' approach, with the requirements for Board Members set out in Table (1) of the Outline Policy.
- 9 Separately it is intended to carry out a review of the composition of the Board, in order to better ensure the quoracy of the Board and to address the vacancies currently carried. It is intended that Officers carry out a review, for consideration by the Council informed by feedback from Board Members.

Governance Compliance Statement

- 10 Under Regulation 55 of the Local Government Pension Scheme Regulations 2013 Durham County Council in its capacity as Administering Authority for the Pension Fund must prepare a written statement setting out "the extent to which a delegation, or the absence of a delegation, complies with guidance given by the Secretary of State

and, to the extent that it does not so comply, the reasons for not complying”.

- 11 The written statement must be kept “under review, and make such revisions as are appropriate”. Following a review conducted with MJ Hudson Allenbridge (now Apex Group), the Statement was updated to reflect current requirements and practices. It is recommended as best practice that the published Statement is supplemented with a summary of training activity and attendance at Committee meetings.
- 12 The revised Statement will be shared with employers for comment, with the finalised version published on the council’s website and in the Fund’s Annual Report. Attached at Appendix 2 is the Fund’s Governance Compliance Statement. The Governance Compliance Statement reflects the Fund’s approach to current governance requirements, but as members are aware, governance requirements in the LGPS are currently under review following the LGPS Scheme Advisory Board (SAB) ‘Good Governance’ project.
- 13 SAB examined the effectiveness of current LGPS governance models with a focus on standards, consistency, representation, conflict management, clarity of roles and cost. SAB’s final report set out a number of recommendations to be taken forward by DLUHC. SAB have indicated an expectation that there will be only minor changes to the LGPS Regulations and the rest of the proposals to be implemented using statutory guidance. SAB do still expect the consultation to propose making the administration strategy mandatory, though, as well as requiring a new governance strategy that will go beyond the current requirement to publish a Governance Compliance Statement.

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Appendix 1 – Outline Training Policy – 2024/25 Local Pension Board

Introduction

The Durham County Council Pension Fund is committed to the training of those involved in the Fund's governance, and ensuring that individually and collectively the Fund's governance bodies have the necessary skills and knowledge to act effectively in line with their responsibilities; and provide effective challenge to Officers, Advisors, the Pool, and the Fund's asset managers.

The Policy provides the framework for Members to access the necessary support to achieve and maintain that effectiveness, whilst enabling the Fund to manage the risk of failing to meet its objectives if Members are not adequately trained and kept up to date on Pensions and Investment matters.

This Policy has been produced with reference to CIPFA's framework for knowledge and understanding which represents a best practice standard in this area.

Background

In accordance with Section 248A of the Pensions Act 2004 and redrafted by the Pensions Act 2013, every member of the Local Pension Board must be conversant with:

- a) The rules of the Local Government Pension Scheme (LGPS), such as the Transitional Regulations and the Investment regulations.
- b) Any Fund policy document relating to the administration of the Fund.
- c) The law relating to pensions.

The Fund recognises however, that the role of the Committee requires, as a minimum, the same knowledge as Board Members and that additionally, the Investment Regulations 2016 require the Committee to formulate investment strategy after having taken proper advice.

Although not specifically referenced in the Regulations, the Committee outlines in its Investment Strategy Statement that assessment of compliance with the Myners Principles is a valuable governance tool. A copy of the Myners Principles can be found in Appendix A.

CIPFA's Code of Practice, was first issued in 2013, and embedded the requirements for the adequacy, acquisition, retention and maintenance of appropriate knowledge and skills required. CIPFA's Code of Practice was updated in 2021 and provides an overview of the standards that must be adhered when administering and managing pension funds and benefits on behalf of employee's and scheme members. The code includes focus on the increasing need for knowledge and skills and ongoing maintenance of this knowledge. In July 2021, CIPFA published its revised Knowledge and Skills Framework, the contents of which have been updated with transparency in mind, with particular emphasis on decision makers. CIPFA outline the following key areas of knowledge and skills:

- Committee Role and Pensions Legislation.
- Pensions Governance.
- Pensions Administration.
- Pensions Accounting and Audit Standards.
- Procurement and Relationship Management.
- Investment Performance and Risk Management.
- Financial Markets and Product Knowledge.
- Actuarial methods, Standards and Practice.

Under the Markets in Financial Instruments Directive 2014 (widely known as MiFID ii) the Fund needs to demonstrate a high level of skills and knowledge across its governance bodies to enable the Fund to opt-up and be recognised as an professional investor, rather than a retail investor. This enables the Fund to continue to receive advice and access to investment products at a level commensurate with the types of investment required for the Fund. Failure to adequately demonstrate a high level of collective knowledge and skills across the Fund could result in the loss of professional investor status and therefore access to the appropriate investment opportunities.

The Pensions Regulator's new single code of practice meanwhile, defines requirements for the maintenance of knowledge and understanding by those involved in the "governing body" of a pension fund. This Policy reflects current understanding of the requirements laid in the Code; and Officers of the Fund will monitor and report upon compliance in collaboration with its Local Pensions Board.

Requirements

The training requirements for 2024/25 are set out in the table 1 below:-

(1) Training Requirement 2024/25			
Existing Board Member		New Board Member	
Requirement	Timeline	Requirement	Timeline
Induction	Participants Inducted – refresher available as reasonably required	Induction	Before participating in Board Meetings*
Pensions Regulator Public Service Toolkit	6 months, if not already complete	Pensions Regulator Public Service Toolkit	6 months from induction
Pensions Regulator Toolkit	9 months, if not already complete	Pensions Regulator Toolkit	9 months from induction
LOLA – LGPS Learning Academy	Before end of 2024/25	LOLA – LGPS Learning Academy	12 months from induction
BCPP Conference	Board Representation	BCPP Conference	Board Representation
Asset Class Training	Accessible for Board Members	Asset Class Training	Part of Induction
Specific Investment Product Training	Accessible for Board Members	Funding Update	Annual
Funding Update	Annual	Regulatory Training	As required
Regulatory Training	As required		

*note that, new Members may attend the Board as an observer prior to induction, but may not participate in any decision making process

Further information on each of the training requirements is included in the table below:-

(2) Further Information on Requirements	
Requirement	Notes
Induction	<p>Before participating in a Board Meeting, new members must commit to undertake an Induction arranged by the Head of Pensions. The induction will provide an overview of the major asset classes and the Fund's investment strategy, asset pooling, the valuation process, pensions administration, and governance arrangements. New Members will be provided links to the Fund's website and principal Policy documents with which they should familiarise themselves. Enhanced training will be provided for any new Chair, recognising the wider remit of the role.</p> <p>New Members will be supported to undertake LGA 'Fundamentals' training.</p> <p>Refresher training will be made available as reasonably required.</p>
Pensions Regulator Public Service Toolkit	<p>The TPR Trustee toolkit provides a guide to understand the governance and administration requirements of the previous public service schemes Code of Practice no.14.</p>
Pensions Regulator Toolkit	<p>The toolkit includes ten compulsory modules for trustees, and seven Public Service online learning modules.</p> <p>The ten essential learning modules for trustees test knowledge in the following key areas:</p> <ul style="list-style-type: none"> • Introducing pension schemes • The trustee's role • Running a scheme • Pensions law • An introduction to investment

	<ul style="list-style-type: none"> • How a defined benefit scheme works • Funding your defined benefit scheme • Defined benefit recovery plans, contributions, and funding principles • Investment in a defined benefit scheme • Pension scams <p>The seven compulsory Public Service modules test knowledge in the following key areas:</p> <ul style="list-style-type: none"> • Conflicts of interest • Managing risk and internal controls • Maintaining accurate member data • Maintaining member contributions • Providing information to members and others • Resolving internal disputes • Reporting breaches of the law. <p>Although the toolkit is primarily aimed at Board Members it is of equal relevance to members of the Committee.</p> <p>The Pension Regulator website is available at: https://trusteetoolkit.thepensionsregulator.gov.uk/</p>
<p>LOLA – LGPS Online Learning Academy</p>	<p>The Fund is in the process of procuring Hymans’ LGPS Online Learning Academy which contains LGPS specific e-learning modules, as well as materials specifically relevant to the Durham Fund.</p>
<p>BCPP Conference</p>	<p>The BCPP Conference is held annually and provides access to a rich programme of learning and development utilising the scale of the Pool. It is desirable to have Board representation at the Conference. Places are usually limited, and will therefore be allocated by the following criteria:</p> <ol style="list-style-type: none"> 1. Priority given to Chair of Committee

	<ol style="list-style-type: none"> 2. Representation from both Committee and Board 3. Members who have not yet attended during their current term 4. First come first served 5. Seeking to maximise attendance. <p>Support for attendance at other relevant Conferences will be considered where this is a cost-effective way of addressing a training need.</p>
Asset Class Training	Any decision relating to a change of asset allocation will be supported by bespoke training regards relevant asset classes. To meet the Regulatory requirement of obtaining proper advice and to ensure an informed decision, this would usually be supported by the Fund's external advisors and for a pooled investment its pooling Partner, Border to Coast. Board members will be invited to this training along with members of the Committee.
Specific Investment Product Training	Before any decision is made to invest in a new product, bespoke training will be provided to support the Committee in making an informed decision. To meet the Regulatory requirement of obtaining proper advice and to ensure an informed decision, this would usually be supported by the Fund's external advisors and for a pooled investment its pooling Partner, Border to Coast. Board members will be invited to this training along with members of the Committee.
Funding Update	Annual Training from the Fund's appointed Actuary will be provided, with more detailed training provided ahead of the Fund's triennial valuation.
Regulatory Training	Appropriate training will be provided for members on emergent issues. In the past, this has included matters such as McCloud and GMP Rectification. Looking ahead, this will likely include further training on McCloud, as well as the changing LGPS governance landscape. This training will support members' ongoing knowledge and understanding.

Delivery and Cost

A variety of training methods will be utilised, including in-person workshops, online seminars, and Conference attendance. Both in-house and externally sourced expertise will be utilised. The Fund will always seek to maximise the benefit of pooling, and the expertise of its pooling partner Border to Coast. Officers will alert Board Members to additional opportunities as they arise and will provide as much notice as is practical for mandatory training events.

All costs for training, associated travel and accommodation (where relevant) will be paid from the Pension Fund.

Assessment and Reporting

Before the end of 2024/25 Board Members will be asked to assess the effectiveness of the training undertaken, with Board Members asked to Self-Assess their own knowledge and skills following the year's training. This feedback will inform the training plan for 2025/26. Each Board Member's training activity for the year will be recorded and published in the Fund's Governance Compliance Statement for 2024/25.

Appendix A – Myners Principles

Although not specifically referenced in the LGPS Regulations, the Fund believes that assessment of compliance with the Myners Principles is a valuable governance tool. In the its Annual Report, the Fund sets out sets out the extent to which Durham County Council as the Administering Authority of the Durham County Council Pension Fund complies with the six principles of investment practice set out in the document published in November 2012 by CIPFA, the Chartered Institute of Public Finance and Accountancy, and called "Principles for Investment Decision Making and Disclosure in the Local Government Pension Scheme in the United Kingdom 2012".

The Principles are set out below.

Principle 1 – Administering authorities should ensure that decisions are taken by persons or organisations with the skills, knowledge, advice, and resources necessary to make them effectively monitor their implementation, and those persons or organisations have sufficient expertise to be able to evaluate and challenge the advice they receive and manage conflicts of interest.

Principle 2 – Trustees ¹should set out an overall investment objective(s) for the fund that takes account of the scheme's liabilities, the strength of the sponsor covenant and the attitude to risk of both the trustees and the sponsor, and clearly communicate these to advisers and investment managers.

Principle 3 – In setting and reviewing their investment strategy, trustees should take account of the form and structure of liabilities. These include the strength of the sponsor covenant, the risk of sponsor default and longevity risk.

Principle 4 – Trustees should arrange for the formal measurement of the performance of the investments, investment managers and advisors. Trustees should also periodically make a formal policy assessment of their own effectiveness as a decision-making body and report on this to scheme members.

¹ All references to 'Trustees' should be taken to mean members of the Fund's Governing Bodies.

Principle 5 – Trustees should adopt, or ensure their investment managers adopt, the Institutional Shareholders' Committee (ISC) Statement of Principles on the responsibilities of shareholders and agents. A statement of the fund's policy on responsible ownership should be included in the Statement of Investment Principles. Trustees should report periodically to members on the discharge of such responsibilities.

Principle 6 – Trustees should act in a transparent manner, communicating with stakeholders on issues relating to their management of investment, its governance, and risks, including performance against stated objectives. Trustees should provide regular communication to members in the form they consider most appropriate.