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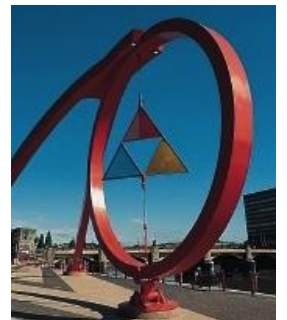


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Greater Gwent (Torfaen) Pension Fund Training Policy

2021/2022

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Greater Gwent (Torfaen) Pension Fund

Training Policy

April 2021

This Statement has been prepared by Torfaen County Borough Council (the Administering Authority) to set out the arrangements for identifying and managing training at the Greater Gwent (Torfaen) Pension Fund.

1. Introduction

Torfaen County Borough Council (Torfaen Council) is the Administering Authority and Scheme Manager for the Greater Gwent (Torfaen) Pension Fund (the Fund). The Fund administers the Local Government Pension Scheme (LGPS) on behalf of around 61,000 members throughout the Gwent area. This comprises Blaenau Gwent, Caerphilly, Monmouthshire, Newport and Torfaen.

Within its Constitution, Torfaen Council has delegated responsibility for the administration of the LGPS to a Pensions Committee of elected councillors. The Pensions Committee is the decision-making body for the Fund. It is assisted in its role by a Local Pension Board, made up of representatives of LGPS members and LGPS employing organisations. The Pension Board has an oversight and scrutiny role, and gives advice and makes recommendations to the Pensions Committee.

The purpose of the Fund's training policy is to aid the Pensions Committee and Board members in understanding their respective roles and responsibilities, by setting out how they will obtain and maintain the necessary knowledge and understanding in order to fulfil their roles and responsibilities. Training will aid Pensions Committee and Board members in performing and developing personally in their individual roles, with the ultimate aim of ensuring that Fund is managed by people who have appropriate levels of knowledge and skill.

This policy, and regular training, is necessary due to:

- the potential consequences of not administering the Fund in an appropriate manner, due to a lack of knowledge and understanding
- the complexity of pension and investment issues
- inevitable changes in Pensions Committee and Board membership, due to election and appointment cycles
- the Fund being treated by investment managers as a professional client under the FCA Markets in Financial Instruments Directive II (MiFID II)
- the fiduciary duty owed to the Fund, and ultimately to LGPS beneficiaries

This policy applies to all members of the Pensions Committee and Pension Board who are expected to continually demonstrate their own personal commitment to training, and to ensuring that the objectives of this policy are met.

2. Legislative Background

Both the Pensions Committee and Pension Board Terms of Reference documents require members to undertake appropriate training, including induction training on taking up their role.

A copy of the Terms of Reference is available on request.

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The LGPS is unique amongst the public service pension schemes in having had elected councillors within its governance structure since 1922, and elected councillors on the Pensions Committee are required to undertake training appropriate to their roles under Torfaen Council's Constitution, which says they must 'attend and participate in opportunities for training and development, including policy development'.

The knowledge and understanding requirements of Pension Board members is more prescribed in legislation than the requirements on Pensions Committees. The Public Service Pensions Act 2013 inserted into the Pensions Act 2004 the requirement for public service pension schemes to have Pension Boards with members who are:

- 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 to properly exercise the functions of an LGPS Pension Board member. The Pensions Act 2004 also required The Pensions Regulator (TPR) to issue guidance, and their Code 14, *the Governance and Administration of Public Service Pension Schemes*, sets out knowledge and understanding requirements of Pension Board members.

Although the Pensions Committee and the Pension Board have different roles in the governance and management of the Fund, there will be broad areas where they will need to have a similar level of knowledge and understanding about pensions and investments, which will include:

- **Governance** - including pensions legislation, Ministry of Housing Communities and Local Government (MHCLG), the Scheme Advisory Board (SAB), the Pensions Regulator (TPR) the role of the Administering Authority, the Fund's stakeholders;
- **Pension investments** - including investment strategy, financial markets, and investment pooling.
- **Funding** - including the role of the Fund Actuary, the actuarial valuation, employer covenants.
- **LGPS employers** - including: employers joining and exiting from the Fund; and exchange of data requirements at key events;
- **Pension administration** - including: disclosure of information legislation requirements for content and timeliness; internal dispute resolution; contribution collection; scheme communication and materials; member data maintenance and record-keeping requirements; service standards and discretionary powers.

However, the depth of understanding needed by individual members will depend upon such things as whether they are members of the Pension Committee, who are the decision-makers tasked with setting the investment strategy and monitoring investment performance, or Pension Board who have an oversight and scrutiny role of the decisions taken by the Committee.

In terms of topics, members may need knowledge at appropriate levels depending on their role e.g.

- An awareness - i.e. recognition that the subject matter exists
- A general understanding - i.e. understanding the basics in relation to the subject matter
- A strong understanding - i.e. a good level of knowledge in relation to the subject matter (but not necessary at detailed level).

TPR Code 14 requires members of the Pensions Board to be conversant with a number of key scheme documents under a 'retained list'. Within the governance arrangements for the LGPS it is also good practice for members of the Pensions Committee to have a good understanding of these areas. The list of relevant documents includes Pensions legislation and Administering Authority policies and procedures and can be found within section 10 of this policy.

3. Policy Aims and Objectives

The Fund aims to ensure that:

- It is governed and managed by people who have the appropriate knowledge and expertise;
- The people responsible for governing the Fund have sufficient knowledge and expertise to be able to evaluate and challenge the advice they receive;
- Ensure the decisions of members of the Pensions Committee are robust and well-based, and manage any potential conflicts of interest;
- Knowledge and expertise is maintained by the body of people who govern and make decisions in respect of the Fund, and is kept up-to-date with continual changes in the LGPS and wider pensions landscape; and
- It complies with the CIPFA Knowledge and Skills Framework, the Pensions Regulator's guidance as well as any relevant guidance provided by the Scheme Advisory Board (SAB) and the Ministry of Housing Communities and Local Government (MHCLG).

The Funds' objectives are to ensure:

- Those responsible for governing the Fund and making decisions have the appropriate knowledge and expertise to carry out their roles effectively.
- Those responsible for governing the Fund are conversant with relevant Pensions legislation and any policy documenting the administration of the Fund.
- There is the appropriate level of internal challenge and scrutiny on decisions and the investment performance of the Fund.
- Decisions taken are robust and based on legislative requirements, or in line with guidance issued by Pensions Regulator, the Scheme Advisory Board and the Secretary of State for Housing Communities and Local Government.
- It complies with the knowledge and skills elements of the Public Service Pensions Act 2013 and The Pensions Regulator's Code of Practice.
- Training risk is managed effectively, including:
 - Changes in membership of the Pensions Committee or Pension Board, potentially diminishing knowledge and understanding
 - Poor individual commitment
 - Inadequate training resources
 - Poor standards of training
 - Inappropriate training plans

You can read more about specific requirements for members of the Pensions Committee and Pension Board in sections 9 and 10 of this policy respectively.

4. The Fund's Approach to Pensions Committee and Pension Board Member Training

The Fund's officers will prepare an annual training plan to deliver targeted training that is both timely and directly relevant to the Pensions Committee and Board's activities, based on an assessment of member training needs. This training plan will be agreed with members from the outset and will be regularly monitored and brought back before them if material changes occur during this time. The training plan is not intended to be a static document or one that is purely driven by proposals from the Fund's officers. Instead Pensions Committee and Board members are free to propose their own training suggestions which will be incorporated into the annual plan where possible.

The Fund's Training Plan uses SMART objectives, based on a framework of key elements:

- Procurement and Relationship Management
- Pensions Governance
- Pensions Administration
- Pensions Accounting and Auditing Standards
- Investment Performance and Risk Management
- Financial Markets and Product Knowledge
- Committee Role and Pensions Legislation
- Actuarial Methods, Standards and Practices

This is based on CIPFA's 2015 Knowledge and Skills Framework for Pensions Board members, which built on a 2010 Knowledge and Skills Framework for Pensions Committee members and their financial managers.

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Training Methods

The Fund employs a variety of training methods and opportunities, utilising both in-house training and external providers, and we aim to be flexible in our approach to meet the broad needs of members. The annual training plan will share details of events where known and officers will circulate details of additional/alternative events with members as necessary.

In House Training	External Training
Updates, and presentations, from the Fund's officers and/or advisers at regular Pensions Committee and Board meetings.	Local Government Association courses, such as: <ul style="list-style-type: none"> - the 'Fundamentals' session, used as initial training for new Pensions Committee and Board members. - Cyber Security training, used to make sure members are aware of best practice in keeping pensions records safe.
In-house Training includes: <ul style="list-style-type: none"> - Circulated reading material. - Bespoke topic-based training sessions by the Fund's advisers and investment managers. 	Attendance at seminars and conferences offered by industry wide bodies such as CIPFA, LAPF, LAPFF, Hymans and the LGA. Training offered both in person and online increases flexibility for attendees.
	The Pensions Regulator's E-learning toolkit - an online course of seven short modules covering Code 14 – <i>The Governance and Administration of Public Service Pension Schemes</i> : <ul style="list-style-type: none"> - Conflicts of Interests; - 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.
	Regional Investment Pooling Training – the Fund invests Pensions money in an investment pool via the Wales Pension Partnership (WPP), set up by the eight LGPS Funds in Wales. The host authority Carmarthenshire County Council organises training for participating funds which involves the WPP's operator, specialist advisers and investment managers.

5. Assessment of Training Needs

Pensions Committee and Pension Board members have individual responsibility for ensuring that they have an appropriate level of knowledge and understanding and undertake appropriate training to maintain this.

The Fund is committed to ensuring that independent training assessments of members needs are carried out on at least an annual basis. The Fund participates in an LGPS National Knowledge Assessment (NKA) facilitated by Hymans Robertson. This tests and scores individual member knowledge and understanding over the core CIPFA knowledge framework areas, highlighting strengths and weaknesses, and areas of training needs, to inform and develop members' individual training plans going forwards.

The Hymans NKA also benchmarks the overall assessment of Pensions Committee and Board knowledge and understanding relative to other LGPS funds.

In addition to the NKA, the Fund also participates in an annual knowledge and understanding assessment of LGPS pooling, an increasingly complex area relevant to both the Committee and Board members in conducting their roles. This comprehensive assessment focuses on all aspects of LGPS pooling, including Operator monitoring, FCA compliance and understanding of investment legal structures, performance monitoring, Public and Private market investment opportunities, MiFID II, Environmental, Social and Governance (ESG) monitoring and more.

The assessment of training needs is a key part of the Fund's risk management. It helps to highlight potential risks such as:

- Poor attendance and/or a lack of engagement at training or formal meetings by Pensions Committee and Board members, potentially resulting in a poor standard of decision making and/or oversight.
- The quality of training/advice provided to members is not of an acceptable standard or relevant to the needs of members.
- Insufficient resources being made available resulting in the failure to deliver the training plan required to meet the needs of members.
- Insufficient breadth of knowledge across a cohort of members, resulting in insufficient succession planning and ineffective transfer of knowledge to new members.

The independent assessment of training needs carried out annually can help to inform and develop the Fund's approach to delivering relevant and timely training, and helps to manage the risks associated with inadequate training to an acceptable level.

6. Training Log

Pensions Committee and Pension Board members should maintain individual records of their training activity which is expected to align to records maintained by the Fund.

Members should submit a quarterly declaration of all training attended during the period. **This should be returned to officers no later than 10 working days following the quarter end;** and

Officers should cross-reference these declarations against Fund records and issue reminders to members when approaching quarter end where required.

The Fund's officers also maintain a central log of all training events, and attendance by Pensions Committee and Board members. This is reviewed quarterly by the Pension Board and regularly by the Pensions Committee.

7. Reporting

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

8. Understanding Scheme Documents

Key LGPS / Pensions legislation documents are:

- The Local Government Pension Scheme Regulations 2013
- The Local Government Pension Scheme (Investment) Regulations 2016
- The Public Service Pensions Act 2013
- The Occupational and Personal Pension Schemes (Disclosure of Information) Regulations 2013 (as amended)

Other Key LGPS documents are:

- TPR - Code of Practice 14
- LGA - Members full guide to the LGPS
- LGA - Councillors guide to the LGPS

Key Administering Authority policies are:

- Governance Policy and Compliance Statement
- Conflicts of Interest Policy
- Internal Disputes Resolutions Policy/Procedure
- Reporting Breaches of the Law Policy/Procedure
- Communications Policy
- Discretions Policy
- Climate Change Policy
- Responsible and Sustainable Investment Policy

Other key Administering Authority documents are:

- Torfaen CB Council Constitution - Part 12 - Pensions Committee
- Pensions Board Terms of Reference
- Risk Register
- Funding Strategy Statement
- Investment Strategy Statement
- Scheme Auditor's Valuation Report
- Annual Report and Accounts
- Pension Board Annual Report
- Audit Report
- Fund communication announcements to LGPS members and LGPS employers
- Records of breaches of the law
- Fund returns to TPR
- In-house AVC Scheme arrangements and procedures and fund investment returns

9. Specific Requirements for the Pensions Committee

The Pensions Committee is the decision-making body for the Fund, on behalf of Torfaen Council. Torfaen Council's Terms of Reference for the Pensions Committee says members must: 'receive regular training to enable committee members to make effective decisions and be fully aware of their statutory and fiduciary responsibilities and their stewardship role'.

This decision-making role includes the members of the Committee being responsible for the financial management of the Fund. Discharging their duties and responsibilities of their office requires members to:

- Have sufficient expertise to be able to evaluate and challenge the advice they receive.
- Have the knowledge and skills make soundly-based, robust and effective decisions.
- Manage any potential conflicts of interest.

Training is particularly important to decisions the Pensions Committee make on investing pensions money. Markets in Financial Instruments Directive (MiFID II) legislation, means that a local authority must be classified as a retail client unless 'opted up' by the financial institutions to 'elective professional client' status. Financial institutions must have reasonable assurance that their client is capable of making investment decisions and understanding the nature of potential risks before they can confirm opt up to professional client status. This Training Policy therefore assists the Fund in ensuring that the assessed levels of expertise, experience and knowledge are maintained towards satisfying MiFID II requirements; including requirements to review and notify all financial institutions of any changes to circumstances which could affect its status.

10. Specific Requirements for the Local Pension Board

Under the Public Service Pensions Act 2013, the purpose of the Pension Board is to assist the Scheme Manager (the Administering Authority) in being compliant with:

- Scheme regulations;
- Legislation relating to governance and administration of the scheme;
- Requirements imposed by The Pensions Regulator.

The Act says that Pension Board members must:

- Be conversant with the scheme rules; for the LGPS this means that they must have a working knowledge of the LGPS regulations;
- Be conversant with documented governance and administration policies currently in force. This means that they must have a working knowledge of the Fund's policies, strategies and procedures relating to governance and administration;
- Have a knowledge and understanding of the law relating to pensions (and other associated legislation) to the degree appropriate for them to carry out their role, responsibilities and duties. This means that they must have a working knowledge of wider pensions and investments legislation that is relevant to the LGPS.

Torfaen Council's Terms of Reference for the Local Pension Board says that it is for individual Pension Board members to be satisfied that they have the appropriate degree of knowledge and understanding to enable them to properly exercise their functions as a member of the Pension Board. However, LGPS Employer and LGPS Member representatives must be able to demonstrate their capacity and competence to attend and complete the necessary preparation for meetings and participate in training as required. This includes a requirement for members to:

- Attend and participate in training arranged, in order to meet and maintain the requirements set out in a knowledge and understanding policy and framework for the Pension Board;
- Participate in any personal training needs analysis or other processes that are put in place, in order to ensure that they maintain the required level of knowledge and understanding to carry out their role on the Board.
- Maintain a written record of relevant training and development.
- Comply with the Pension Fund's Training Policy as it relates to Pension Board members.

The Chair of the Pension Board is required to ensure that the Board members have the knowledge and skills as required by guidance or legislation and maintain a training record. A Board member who is no longer being able to demonstrate to Torfaen Council their capacity to attend and prepare for meetings or to participate in required training may have their term of office terminated.

11. Review

This Training Policy will be subject to regular review for any material change that could affect the policy, and then with appropriate consultation. Feedback is also welcomed on this Training Policy and should be sent to the Council for the attention of the Head of Pensions, Greater Gwent (Torfaen) Pension Fund, Torfaen Council, Civic Centre, Pontypool, Torfaen, Gwent NP4 6YB, or by email to pensions@torfaen.gov.uk.

**Resources Directorate
Torfaen County Borough Council
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