

**Report To:** **GREATER MANCHESTER PENSION FUND LOCAL BOARD**

**Date:** 19 January 2016

**Reporting Officer:** Peter Morris, Executive Director of Pensions

**Subject:** **ASSESSMENT OF LOCAL BOARD TRAINING NEEDS**

**Report Summary**

Board members are required to acquire appropriate “knowledge and understanding” of pension matters, under the Pensions Act 2004. The degree of knowledge and understanding must be “*appropriate for the purposes* of enabling the individual to properly exercise the functions of a member of a local board”.

This report sets out the results of the self-assessment of Board members training needs and recommends the areas on which training should focus during 2016.

**Recommendations:**

Board members are recommended to:

- i) Note the knowledge and understanding requirements of their role as a Board member;
- ii) Confirm that the items set out in paragraph 3 are an appropriate focus of the training programme for 2016.

**Policy implications:**

In line with GMPF Policy.

**Financial Implications:  
(Authorised by the Section 151  
Officer)**

Ant training costs will be met within existing budgets.

**Legal Implications:  
(Authorised by the Solicitor to  
the Fund)**

The responsibilities of local boards in the LGPS are set out in the Local Government Pension Scheme (Amendment) (Governance) Regulations 2015.

The 2015 Governance Regulations require employer and member representatives to have the “capacity” to represent employers and members respectively. Board members are also required to acquire appropriate “knowledge and understanding” of pension matters, under the Pensions Act 2004.

**Risk Management:**

The purpose of the Local Board is to oversee compliance type activities and to support effective and efficient governance of the Fund. Thus its role is likely to focus on mitigating risks.

**ACCESS TO INFORMATION:**

**NON-CONFIDENTIAL**

**This report does not contain information which warrants its consideration in the absence of the Press or members of the public.**

**Background Papers:**

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## 1. INTRODUCTION

- 1.1 The responsibilities of local boards in the LGPS are set out in the Local Government Pension Scheme (Amendment) (Governance) Regulations 2015, which can be accessed via the link below:

[http://www.legislation.gov.uk/uksi/2015/57/pdfs/ukxi\\_20150057\\_en.pdf](http://www.legislation.gov.uk/uksi/2015/57/pdfs/ukxi_20150057_en.pdf)

- 1.2 In summary the role of the Board is to assist Tameside MBC in its role as a scheme manager of the Scheme: Such assistance is to:
- (a) secure compliance with the Governance Regulations, any other legislation relating to the governance and administration of the Scheme and any requirements imposed by the Pension Regulator in relation to the Scheme and;
  - (b) to ensure the effective and efficient governance and administration of the Scheme.

## 2 REQUIREMENTS OF BOARD MEMBERS

- 2.1 The 2015 Governance Regulations require employer and member representatives to have the “capacity” to represent employers and members respectively. Board members are also required to acquire appropriate “knowledge and understanding” of pension matters, under the Pensions Act 2004. The degree of knowledge and understanding must be “*appropriate for the purposes* of enabling the individual to properly exercise the functions of a member of a local board”.

- 2.2 In general terms, Board members’ breadth of knowledge and understanding should be sufficient to allow them to understand fully and challenge information or advice they are given. Members should be able to identify and where relevant challenge any failure to comply with regulations, other legislation and the requirements of the Pensions Regulator.

- 2.3 The Pensions Regulator’s Code of Practice on the governance and administration of public service pension schemes came into effect on 1 April 2015. Pages 12 to 17 of this document set out the knowledge and understanding required of Board members. The code of practice can be accessed via the link below:

<http://www.thepensionsregulator.gov.uk/docs/draft-code-14-governance-administration-public-service-pension-schemes.pdf>

- 2.4 As a minimum, Board members must be conversant with:

- a) The rules of the Scheme (which are set out in the LGPS regulations)
- b) Any document recording policy about the administration of the Scheme.

- 2.5 Being conversant with these documents means having a working knowledge so that they can be used effectively by Board members when carrying out their duties.

- 2.6 As the LGPS is a funded scheme, documents which record policy about the administration of the Scheme will also include those related to funding and investment matters.

- 2.7 **Appendix B** to this report lists the documents with which Board members should be conversant and contains links to the relevant documents.

## 3 ACQUIRING, REVIEWING AND UPDATING KNOWLEDGE AND UNDERSTANDING

- 3.1 Training is a very important part of the role of Board members and will help to ensure that they have the necessary knowledge and understanding to effectively meet their legal

obligations and add value in their role. Tameside MBC officers will support Board members in acquiring the relevant training and are developing a knowledge and understanding framework to help assess skills and knowledge gaps. This framework will include a training log to help demonstrate the steps Board members have taken to mitigate the risks associated with knowledge gaps.

#### **4 ASSESSMENT OF CURRENT LEVELS OF KNOWLEDGE AND UNDERSTANDING**

4.1 At the last meeting, Local Board members were asked to complete an assessment of their current knowledge and understanding, using a template provided. This document was designed to assess where the gaps in the Board's knowledge and understanding may currently lie and where particular focus should be given in the training plan. Board members were asked to score their existing level of knowledge and understanding a mark of between 1 and 5, with a score of 1 being no existing knowledge and a score of 5 being highly-skilled.

4.2 Individual Board members are not expected to be an expert in all areas, however the Board needs to target a training plan towards ensuring there is the necessary knowledge and understanding across the Board as a whole.

4.3 The results of the assessment, aggregated across the Board as a whole are provided in **Appendix A** to this report. The areas in which an average score of less than 3 were recorded were as follows:

**Internal controls** – including how scheme members' data is kept and how employer and employee contributions are monitored and recorded.

**Resolving disputes** – How disputes between members, employers and the Fund are raised, documented and resolved.

**Funding and investment** – including the purpose of the actuarial valuation process and how contribution rates are set, the purpose of the Fund's Statement of Investment Principles and Funding Strategy Statement and the role of the Fund's custodian.

4.4 It is recommended that these 3 areas be a focus of the training programme during 2016 and the timing and format of the training is discussed further at the meeting.

4.5 The management of a LGPS pension fund is becoming increasingly complex because of:

- (i) the changes in demographics (in particular more employers and an increasingly mature liability profile)
- (ii) the ongoing impact of the Government's reduction in public expenditure;
- (iii) the economic environment and the outlook for investment returns; and
- (iv) progressing the "pooling" of assets

An important element of the Local Board's agenda will be keeping up to date with current events and understanding the scale of opportunities, challenges and risks as the arise and change.

#### **5 OTHER TRAINING MATERIALS**

5.1 The Pensions Regulator has developed an online learning programme specifically to help meet the needs of pension board members. The programme is broken down into 7 different modules and an individual completion of the individual modules is automatically logged. Members can register for the Pensions Regulator's Toolkit via the following link:

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

- 5.2 Board members will be invited to the two annual training days provided by the Fund's investment managers. Several of the Board members attended these sessions in 2015.
- 5.3 Board members are encouraged to attend meetings of the Management Panel as observers.
- 5.4 Board members will be notified of other training events which are considered appropriate. Expenses of attending external events will be reimbursed.

## **6 RECCOMENDATIONS**

- 6.1 Board members are recommended to:
  - (i) Note the knowledge and understanding requirements of their role as a Board member;
  - (ii) Confirm that the items set out in paragraph 3 are an appropriate focus of the training programme for 2016.