

## MUNICIPAL YEAR 2019/2020 REPORT NO.

### MEETING TITLE AND DATE:

Pension Policy & Investment  
Committee – 18<sup>th</sup> June 2019

### REPORT OF:

Executive Director of Resources  
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Agenda – Part:1	Item: 5
<b>Subject:</b> Board Training Programme	
<b>Wards:</b> all	
<b>Cabinet Member consulted:</b>	

### 1. EXECUTIVE SUMMARY.

- 1.1. Members agree to undertake ongoing training to meet the requirements of being a classed as a professional investor (MIFIDII) and to be in line with the Pension Regulator (tPR) requirements.
- 1.2. With a number of new members joining the Committee, it will be important that a clear strategy is required for the induction and training of new members. This paper sets out a proposed way forward based on the Fund's existing training plan.
- 1.3. Training is an ongoing process and needs to be properly recorded to demonstrate adherence to the regulations and Code of Practice.
- 1.4.

### 2. RECOMMENDATIONS

- 2.1. Board agree to undertake ongoing training to meet the Pension Regulator (tPR) requirements.

### 3. INTRODUCTION

- 3.1 There is an ever increasing responsibility on LGPS Pension Committees demonstrate they have the skills and knowledge to make proper investment decisions on behalf of the Fund. This is being driven by the Pension Regulator and from the MIFID II Directive.
- 3.2 One of the outcomes from the recent governance review of the Fund suggested a number of improvements to ensure we are fully meeting the requirements of the tPR Code of Practice.

### 4. TRAINING MANAGEMENT

#### 4.1 Individual Training Needs

- 4.2 Each Committee member will commit to complete a check list of knowledge requirements. Members are encouraged to undertake a gap analysis and identify any development needs so that appropriate training can be arranged.

- 4.3 Members are encouraged to access the Pension Regulator Public Sector tool kit and undertake the appropriate actions. This provides comprehensive coverage of all Pension Fund matters.
- 4.4 The link to the Pension Tool is shown below. **Appendix 1** sets out the syllabus: <https://education.thepensionsregulator.gov.uk/login/index.php>
- 4.5 New Members joining the Pension Policy & Investment Committee or the Local Pension Board will be required to complete a training programme. Normally this will include:
- An officer-led induction course on the LGPS. **Appendix 2** provides a check list of areas to be covered.
  - Completion of the Pension Regulator self-assessment toolkit, and
  - Attendance at the LGA three day (over three months) investment training course as set-out in **Appendix 3**.

#### **4.6 Hot Topic Training**

- 4.7 Training items may be included on Committee agendas to ensure appropriate training is provided in relation to hot topic areas, such as a high risk area or a specific area where decisions need to be made.

#### **4.8 General Awareness**

- 4.9 PP&IC members, Pension Board members and senior officers are expected to maintain a reasonable knowledge of ongoing developments and current issues, which will allow them to have a good level of general awareness of pension related matters appropriate for their roles and which may not be specific to the London Borough of Enfield Pension Fund. Attendance at conferences and training events will be encouraged, especially those specific to the LGPS.

#### **4.10 Recording Training Log**

- 4.11 A formal training log will be introduced and as part of Standing Items will be updated at each Committee meeting. This will ensure there is a formal and auditable trail.

### **5. FINANCIAL IMPLICATIONS**

- 5.1 All training costs will be financed through the Pension Fund. Costs will be charged through the Overview and Scrutiny budget.

### **6. LEGAL IMPLICATION**

- 6.1 The MIFID II Directive Elective makes Professional clients responsible for keeping the Financial Institutions informed of any changes that could affect our current categorisation. The Fund must take appropriate action which would prevent the Fund from being re-categorising the client as retail.

<b><u>Pension Regulator Public Sector tool kit</u></b>		
<b>Module</b>	<b>Tutorials included</b>	<b>Average completion time (mins)</b>
Introducing pension schemes	<ul style="list-style-type: none"><li>• What is a pension scheme?</li><li>• Benefits</li><li>• What is a trustee?</li><li>• Important documents</li></ul>	60
The trustee's role	<ul style="list-style-type: none"><li>• Becoming a trustee</li><li>• Trustee meetings</li><li>• Conflicts of interest</li><li>• Duties and powers</li><li>• Trustee liabilities and protections</li></ul>	75
Running a scheme	<ul style="list-style-type: none"><li>• Scheme governance</li><li>• Risk management and internal controls</li><li>• Scheme administration and member data</li><li>• Introducing advisers and service providers</li><li>• Appointing advisers and service providers</li></ul>	75
Pensions law	<ul style="list-style-type: none"><li>• Pensions related legislation</li><li>• The Pensions Regulator</li><li>• Tax and the state pension</li><li>• Internal dispute resolution procedure</li></ul>	75
An introduction to investment	<ul style="list-style-type: none"><li>• Investment in a pension scheme</li><li>• Setting an investment strategy</li><li>• Types of asset – Common assets</li><li>• Types of asset – Alternative assets</li><li>• Capital markets and economic cycles</li><li>• Risk and reward</li><li>• Active and passive management</li><li>• Suitability and diversification</li><li>• Reviewing investments</li></ul>	135

Module	Tutorials included	Average completion time (mins)
How a DB scheme works	<ul style="list-style-type: none"> <li>• The basics</li> <li>• Managing the liabilities</li> <li>• Employer covenant</li> <li>• Risks to employer covenant</li> <li>• Implications of winding up a DB scheme</li> <li>• Corporate transactions</li> </ul>	90
Funding your DB scheme	<ul style="list-style-type: none"> <li>• The statutory funding objective</li> <li>• Valuing the scheme's liabilities</li> <li>• Calculating the liabilities</li> <li>• Impact of assumptions</li> <li>• Individual and bulk transfers</li> <li>• Additional employee funding</li> </ul>	90
DB recovery plans, contributions and funding principles	<ul style="list-style-type: none"> <li>• Determining the contribution rate</li> <li>• Accrued benefits funding methods</li> <li>• Recovery plans</li> <li>• Future service funding methods</li> <li>• Agreeing a schedule of contributions</li> <li>• The statement of funding principles</li> </ul>	90
Investment in a DB scheme	<ul style="list-style-type: none"> <li>• Understanding investment strategy</li> <li>• Changing asset and liability values</li> <li>• Future projections and scenario analysis</li> <li>• Stochastic modelling</li> <li>• Changing the asset allocation strategy</li> <li>• Reviewing the investment strategy</li> </ul>	120

### **Initial Information and Induction Process**

On joining the Pensions Committee, the Pension Board or the London Borough of Enfield Pension Fund Management Team, a new member or officer will be provided with the following documentation to assist in providing them with a basic understanding of London Borough of Enfield Pension Fund:

- A guide to the Local Government Pension Scheme (LGPS)
- The latest Actuarial Valuation report
- The Annual Report and Accounts, which incorporate:
  - The Funding Strategy Statement
  - The Governance Policy and Compliance Statement
  - The Investment Strategy Statement (ISS) including the London Borough of Enfield Pension Fund's statement of compliance with the LGPS Myners Principles
  - The Communications Policy
  - The Administration Strategy
  - The administering authority's Discretionary Policies
- This Training Policy

In addition, an individual training plan will be developed to assist each Pensions Committee member, Pension Board member or officer to achieve, within six months, their identified individual training requirements.

2) Consider whether the objectives have been met as part of the annual self-assessment carried out each year which is completed by all Pensions Committee members, Pension Board members and senior officers.

### Appendix 3

<b>Pension Topic Areas</b>	<b>Tick Box <input checked="" type="checkbox"/></b>
<b>The Benefits Framework “Past and Present”</b>	
• Brief history of the LGPS and its interaction with State provision	
• The 2014 Scheme – a core scheme plus discretions; a look at the comprehensive benefit structure of the scheme	
• Differences in the 2015 Scheme in Scotland	
• Administering Authority and Employing Authority Discretions	
<b>The Investment Framework</b>	
• The Management and Investment of Funds Regulations 2009 – the statutory framework for investments	
• CIPFA Principles – a look at the six investment principles	
• Statement of Investment Principles	
• Interaction with the Funding Strategy Statement	
• Governance Compliance Statements	
• Annual Reports and Auditing	
<b>Delivering the Service</b>	
• Partnership Working	
• Framework Agreements	
• Financial Services procurement and relationship management	
• Supplier risk management	
• Performance of support services	
<b>Traditional Asset Classes</b>	
• UK Equities, Overseas Equities	
• UK Gilts, UK Index-Linked Gilts	
• Corporate Bonds, Property	
• Why invest in Fixed Income and Equity Markets?	
• Long Term Investment Performance of Equities and Fixed Income	
• Benchmarks used	
• Cashflows	
• The Bond Market	
• Return / Risk Profiles	
<b>Valuations</b>	
• The Purpose of an Actuarial Valuation	
• Assets and Liabilities	
• How do liability calculations work	
• What assumptions are used?	
<b>Funding Strategy Statements</b>	
• What is the funding strategy?	
• Different Employers – different characteristics and objectives	
• What is the strength of the covenant?	
• Deficit Recovery Periods	

<b>Corporate Governance</b>	
• Approach to Corporate Governance	
• Voting, Activism and Engagement	
• Institutional Shareholders Committee principles	
• Socially Responsible Investment	
<b>Communication Strategies/Policies</b>	
• Policy Statement Requirements	
• LGPS – Valuable part of employment package	
• Purpose and effect – Changes and Choices	
• A look at some good practice initiatives	
<b>Established Alternative Investments</b>	
• Private Equity, Commodities, Hedge Funds, Emerging Markets, Currency Funds, High Yield Bonds and Overlays	
• The market evolution of Alpha and Beta	
• Private Equity sectors	
• Commodities – what do they cover and why include them in a portfolio?	
• The Hedge Fund universe	
• The background to Emerging markets	
• The value of Currency Funds and Currency Overlays	
• How High Yield Bonds fit into the Bond market	
<b>Duties and Responsibilities of Committee Members</b>	
• The LGPS in its legal context	
• General local authority legal issues	
• LGPS specific duties and responsibilities	
• Wider duties and responsibilities	
• What happens when things go wrong?	
<b>The Future for the LGPS</b>	
• LGPS2014 – outstanding/new issues	
• Cost control mechanism	
• Managing investment fees	
<b>New governance arrangements</b>	
• The new, evolving requirements	
• Committee vs Board - delegation and representation	
• The governance budget	
• The Pension Regulator's involvement	
<b>Bringing it all together</b>	
• The Evolution of LGPS Benchmarks	
• Portfolios and Portfolio Construction	
• Portfolio Concepts	
• Combining Assets in your Portfolio	
• Risks and Efficient Frontiers	
• Standard Deviation	
• Correlation	
• Diversification	