

PENSION FUND COMMITTEE – 10 JUNE 2022

CONSTITUTION OF THE PENSION FUND COMMITTEE

Report by the Director of Finance

RECOMMENDATION

1. **The Committee is RECOMMENDED to note the content of the report and:**
 - a. **Agree to amend their Governance Policy to mandate all Members of the Committee to complete training in line with the Training Policy as set out in paragraph 18 below;**
 - b. **Agree that only named substitutes allowed where they have completed training in line with the Training Policy; and**
 - c. **Recommend Council via the Audit and Governance Committee to make the appropriate changes to the Terms of Reference and Constitution to formalise the new governance arrangements.**

Introduction

2. At their meeting in September 2019, the Committee agreed to recommend Council, through the Audit and Governance Committee to make changes to their constitution. These changes included mandatory training, and the decision not to allow substitute members at the Committee.
3. These recommendations were subsequently discussed and endorsed by the Audit and Governance Committee at their meeting in November 2019. Unfortunately, due to an administrative oversight, the recommendation from the Audit and Governance Committee was never presented to full Council and the amendments to the constitution therefore were never agreed.
4. The key reasons for bringing forward the proposal in 2019 still stand today, and indeed have in anything been strengthened with the Department for Levelling Up, Housing and Communities now also raising questions about the level of skills and knowledge on Pension Fund Committees.
5. Since the decision in 2019, a major change has been the reduction in the number of voting members of the Committee from 11 to 5. This has raised the risk of meetings not been quorate in the event that substitutes are not allowed. It is therefore proposed to change the original proposal to allow for named substitutes, subject to them maintaining their level of skills and knowledge consistent with the Training Policy.

Background

6. There is a legal requirement on Pension Trustees under the Pensions Act 2004 to have been trained and have knowledge of the law relating to pensions and the principles of scheme funding, investments and administration. However, members of the Pension Fund Committee do not fall under the definition of Trustees and therefore are not covered by these legal requirements. The requirements do though apply to members of the Local Pension Board.
7. There is though an expectation that Members of the Pension Fund Committee will seek to obtain the same level of knowledge and understanding as that required under the 2004 Act. The Governance Compliance Standards against which each Committee must assess itself includes as Principle C that all Members of the Committee are fully aware of the status, role and function they are required to perform. Currently, the Oxfordshire Pension Fund Committee have assessed themselves as partially compliant with this principle because the principle does not apply to any substitute member.
8. Two national reports were published during 2019 which have relevance to this issue. Hymans Robertson have produced their Good Governance in the LGPS report as commissioned by the Scheme Advisory Board (SAB). This report includes the proposal that the Government in conjunction with SAB should issue statutory guidance bringing the training requirements of Pension Fund Committees in line with that required for Local Pension Boards. This proposal is still with Ministers for their consideration.
9. The Hymans Robertson report also identified areas of best practice. This included Funds developing a Training Policy which set out how the training needs to the Committee would be assessed on an annual basis, and how these needs would be met.
10. The second relevant report was the annual report from the Pension Regulator following their Governance Survey of the LGPS. This report highlighted the Regulators concern that not all Funds carry out an annual assessment of the training needs of their Committee.

Proposed Way Forward

11. There is a risk that simply maintaining the status quo could result in challenge from the Pension Regulator and others going forward. Mandating compliance with the current Training Policy would help ensure that the level of knowledge and understanding of Committee Members is as a minimum in line with that of the members of the Pension Board.
12. The training policy covers the minimum standard to which all Committee Members would need to reach within an agreed timescale, and then an approach to future training requirements above this minimum standard.
13. The Training Policy includes two potential approaches to be taken to the minimum standard. The first is to attend the 3 day LGA Fundamentals Training

Course. This course is run annually, and currently has both face to face and virtual options. As this is a once a year course, it is suggested that all new members would be required to attend this course (or be enrolled to attend the next available course) within 12 months of joining the Committee.

14. The alternative option is available through the Pension Regulators website, which offers a number of Training Toolkits. The basic Trustee Toolkit consists of 5 core modules which are expected to be completed in around 75 minutes each (except for the Investment module for which it is suggested that completion is normally achieved in 135 minutes), and 4 modules specific to managing a defined benefit scheme. These latter 4 modules are suggested to take between 90 and 120 minutes to complete. Each module includes an assessment tool and a certificate to confirm completion. There is a separate set of 7 modules specific to public sector schemes which take around 1 hour each to complete, but these are focussed on the administration element of the responsibilities only and not the investment and funding side. As the toolkits are on-line and can be completed at a time suitable for the individual member, these could be completed earlier than 1 year from joining the Committee.
15. Whichever minimum standard option is taken, there would also be an expectation of an internal induction event which all new members would be invited to attend which would cover the policy documents specific to the Oxfordshire Pension Fund. It is suggested that this could be a half-day event.
16. In respect of continuing training, it is suggested that rather than a mandatory course for which all Members must attend, the Policy covers a minimum level of specialist or refresher training that each Member should attend. This could be set at 2 days, alongside internal training provided before the quarterly Committee meetings. As at present, staff within the Pensions Investment Team would circulate suitable courses, including the PLSA Local Authority Conference and Seminar, and the Local Authority sessions run by the LGC. Members would also be free to select specific courses based on a specialist interest. We have also made available the On-line Learning Academy developed by Hymans Robertson which includes a range of pension subjects.
17. At their meeting in September 2021, the Committee to amend the Training Policy to include an annual assessment for all members of both the Pension Committee and Pension Board, based on the National Knowledge Assessment tool run by Hymans Robertson. As part of this report, the Committee also agreed that any failure to comply with the Training Policy including the annual assessment should result initially in a referral to the Chair of the relevant body and the Service Manager (Pensions). This initial review would consider amongst other issues the length of service of the member and the amount of training previously undertaken. The Committee agreed there should be the option to remove a member from the Committee or Board, as appropriate, where they were unable to demonstrate that they retained the capacity to undertake the necessary training or demonstrated a serious failure to acquire the skills and knowledge required to meet their responsibilities as a Committee/Board member.

18. In summary all Committee Members would be required to
- a. attend:
 - In their 1st year – an induction section on the Oxfordshire Pension Funds Policies, and either
 - ◆ The 3-day LGA Fundamentals Course or
 - ◆ The 5 Core and 4 DB on-line modules of the Pension Regulators Trustee Toolkit
 - In each subsequent year – all pre-Committee training, and a minimum of 2 days additional training.
 - b. complete the annual Knowledge Assessment exercise run by Hymans Robertson; and
 - c. maintain a score on the Knowledge and Assessment exercise consistent with their responsibilities as a serving member of the Pension Fund Committee or Pension Board as appropriate.

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