

PENSION FUND COMMITTEE – 6 SEPTEMBER 2019

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. **Ask Officers to draw up a Training Policy consistent with the proposals contained in the report and summarised in paragraph 19 below;**
 - b. **Agree to amend their Governance Policy to mandate all Members of the Committee to complete training in line with the Training Policy;**
 - c. **Determine their approach to substitutions, being either:**
 - i. **No substitutions allowed or**
 - ii. **Only named substitutes allowed where they have completed training in line with the Training Policy;****and**
 - d. **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 June 2019 meeting the Committee reviewed their previous decision to amend their Governance Policy to require all Committee Members to participate in a training programme to ensure the Committee had the necessary skills and knowledge to fulfil its responsibilities, and to remove the right for substitute members. These changes to the Policy had not been presented to full Council for endorsement and had therefore not been implemented.
3. The Committee wanted a further report to cover some of the practical implications including what would be the minimum level of training prescribed, how long would new members be given to complete the training and were there options to allow named substitutes.

Background

4. 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.

5. 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.
6. Since the June Committee, two national reports have been published 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 Ministry of Housing, Communities and Local 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.
7. 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.
8. 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.

Practice Elsewhere

9. Other Funds within the Brunel Pension Partnership were surveyed to understand their approach to this issue. Only one of the other 9 Funds identified that training was mandated for their Committee Members. In this case the expectation is that all members complete the 3-day Fundamentals Training Course run by the Local Government Association.
10. Whilst no other Fund mandated training at present, all Funds responded to say that this was an issue they were currently reviewing. One Fund has produced a Training Policy for Committee Members which sets out the expectation that all Members receive 1 to 3 days training every year, but this is not mandated, and compliance was reported to be low.
11. Only one of the other Brunel Funds who responded to the survey currently allow substitute members to cover for absence.

Proposed Way Forward

12. The review of the background position and practice elsewhere above suggests that it is timely to be reviewing our current approach to the knowledge and understanding requirements of Committee Members. There is a risk that simply maintaining the status quo could result in challenge from the Pension Regulator and others going forward.
13. In light of the proposal from Hymans Robertson, it is suggested that this Committee develops a Training Policy to 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.
14. The training policy would need to cover a 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.
15. From the research two potential approaches could be taken to the minimum standard. The first is consistent with the practice currently mandated in Gloucestershire where all Committee members are required to attend the 3 day LGA Fundamentals Training Course. 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.
16. An 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.
17. Whichever minimum standard option is taken (or indeed if both were offered as appropriate) there would also be an expectation of an internal induction event which all new members would be required 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.
18. 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.

19. In summary all Committee Members would be expected to attend:
 - a. In their 1st year – an induction section on the Oxfordshire Pension Funds Policies, and either
 - i. The 3-day LGA Fundamentals Course or
 - ii. The 5 Core and 4 DB on-line modules of the Pension Regulators Trustee Toolkit
 - b. In each subsequent year – all pre-Committee training, and a minimum of 2 days external training.
20. If a mandatory Training Policy is agreed as above, the second issue to address is attendance at Committee as a substitute Member. The requirements of Pension Board Members are deemed to apply to each individual member and not the Board collectively. It would therefore not be appropriate to allow a substitute Member who had not completed a similarly level of training to the other Members of the Committee.
21. The two alternative approaches are therefore not to allow substitutes, or to have a bank of named substitutes who must also meet the requirements of the training policy.
22. In light of the size of the current Committee of 11 voting Members and the quorum which is stipulated in the Council's Constitution as a quarter of the voting Members subject to a majority of the voting Members being from the Council, it is feasible to run the Committee without substitute Members, and this would be consistent with the majority of other Brunel Pension Fund committees.

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