

**Item: 5**

**Pension Fund Sub-committee: 26 February 2024.**

**Pension Fund Training.**

**Report by Head of Finance.**

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## **1. Overview**

- 1.1. The Council, as administering authority of the Orkney Islands Council Pension Fund, recognises the importance of providing appropriate training to both members and officers in relation to the operation of the Pension Fund. Accordingly, the Council adopted a Training Policy Statement in April 2015.
- 1.2. These arrangements have been strengthened through adoption of the Chartered Institute of Public Finance and Accountancy Code of Practice on Public Sector Pensions Finance Knowledge and Skills, together with supporting Framework and guidance documentation. The Code and Framework were developed in recognition of the complex and ever-changing environment of Local Government Pension Scheme finance, and specifically to address the governance requirements.
- 1.3. Adoption of the supporting Framework is recognised as best practice and specifically aims to strengthen the Pension Fund's approach to the planning and monitoring of training delivered and provides additional support for assessing the training needs of individual members and officers, through the use of self-assessment tools.
- 1.4. Members and officers are encouraged to carry out the self-assessment to identify training needs. Members may then wish to approach relevant senior officers to discuss how individual training needs can be met. In doing so it is, however, important for members to appreciate that an in-depth knowledge of all the core knowledge areas is neither assumed nor necessary. In many cases what the framework expects is only an understanding or awareness of the area, and knowledge of where more detailed knowledge could be sought. Members are not necessarily expected to have in-depth knowledge of all matters relating to the Local Government Pension Scheme, but rather a general appreciation of the issues together with an understanding of where they might source further information, if required.
- 1.5. Progress made over the 12-month period to 31 December 2024 in relation to meeting the training needs of members of the Pension Fund Sub-committee and the Pension Board, against core areas of Public Sector Pensions Finance Knowledge and Skills Framework, is attached as Appendix 1 to this report.

## 2. Recommendations

- 2.1. It is recommended that members of the Sub-committee:
  - i. Note the 2024 Pension Training Record, attached as Appendix 1 to this report.
  - ii. Approve the 2025 Annual Training Plan for members of the Pension Fund Sub-committee and Pension Board, attached as Appendix 2 to this report.

## 3. Review of 2024 Training Plan

- 3.1. Over the 12-month period to 31 December 2024, a total of 17.9 hours of training was offered to members of the Pension Fund Sub-committee and the Pension Board.
- 3.2. All members of the Pension Fund Sub-committee, together with seven of the eight members of the Pension Board, have, over the 12-month period to 31 December 2024, achieved the minimum requirement of participation in at least one training event, or equivalent to five hours training.
- 3.3. The training programme and assessment of need is based around a combination of new developments and legislative changes, topical/live pension issues, member feedback and specific requests for training.
- 3.4. Group training is delivered through a variety of mediums including:
  - Formal reports and presentations to the Pension Fund Sub-committee and the Pension Board.
  - Specific training sessions/conferences/seminars, provided by Council Officers, investment managers and investment advisors, including national bodies.
- 3.5. Over the 12 months to 31 December 2024, a total of 16 training sessions were conducted. These sessions included presentations by Council Officers, Fund Actuaries and External Audit. Additionally, members and officers had the chance to attend the Local Government Chronicle Investment Seminar for Scottish Pension Funds in Edinburgh, held from 31 October to 1 November, with one officer attending in person.

## 4. 2025 Training Plan

- 4.1. The proposed 2025 Training Plan, attached as Appendix 2 to this report, will continue to maintain a focus on the Public Sector Pensions Finance Knowledge and Skills Framework. In addition, members and officers should make use of the Pensions Regulator's [Trustee Toolkit](#). This online resource will enable users to target the areas of knowledge they feel would benefit them most by completing individual modules at a time that is convenient.

- 4.2. The Toolkit consists of 11 modules, nine of which are relevant to defined benefit schemes such as Orkney Islands Council's Pension Fund, as follows:
- Introducing pension schemes.
  - The Trustee's role.
  - Running a scheme.
  - Pensions law.
  - An introduction to investment.
  - How a defined benefits scheme works.
  - Funding your defined benefits scheme.
  - Defined benefit recovery plans, contributions and funding principles.
  - Investment in a defined benefit scheme.
- 4.3. All members must participate in at least one training event, or equivalent to five hours training, as a minimum requirement, each financial year.
- 4.4. Should the 2025 Training Plan, attached as Appendix 2 be approved, the Knowledge and Understanding Requirements section of The Pensions Regulator General Code of Practice requires the governing body to regularly assess their skills and experience. In line with best practice, a self-assessment questionnaire will be developed as part of this formal assessment process.

**For Further Information please contact:**

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**Implications of Report**

1. **Financial** A modest level of additional expenditure that has been met from within the approved revenue budget for the Orkney Islands Council Pension Fund.
2. **Legal** There are no direct legal implications arising from this report.
3. **Corporate Governance** Not applicable.
4. **Human Resources** Not applicable.
5. **Equalities** An Equality Impact Assessment is not required.
6. **Island Communities Impact** An Island Communities Impact Assessment is not required.
7. **Links to Council Plan** The proposals in this report support and contribute to improved outcomes for communities as outlined in the following Council Plan strategic priorities:
  - Growing our economy.
  - Strengthening our communities.
  - Developing our Infrastructure.

- Transforming our Council.
- 8. **Links to Local Outcomes Improvement** Plan he proposals in this report support and contribute to improved outcomes for communities as outlined in the following Local Outcomes Improvement Plan priorities:
  - Cost of Living.
  - Sustainable Development.
  - Local Equality.
- 9. **Environmental and Climate Risk** None.
- 10. **Risk** Regular training is required as part of its duty to establish and operate an effective system of governance, including internal controls.
- 11. **Procurement** Not applicable.
- 12. **Health and Safety** Not applicable.
- 13. **Property and Assets** Not applicable.
- 14. **Information Technology** Not applicable.
- 15. **Cost of Living** Not applicable.

### **List of Background Papers**

2024.02.28 PFSC Pension Fund Training Plan 2024

### **Appendices**

Appendix 1: Training provided for the 12-month period to 31 December 2024.

Appendix 2: Annual Training Plan 2025.

Skills area		# of times covered by training
<b>Pensions legislative and governance context</b>	<b>General pensions framework</b> A general awareness of the pensions legislative framework in the UK.	5
	<b>Scheme-specific legislation</b> An overall understanding of the legislation specific to the scheme and the main features relating to benefits, administration and investment.	4
	An awareness of the LGPS (Benefits, Membership and Contributions) Regulations 2007 and LGPS (Administration) Regulations 2008 and their main features	2
	An appreciation of LGPS discretions and how the formulation of the discretionary policies impacts on the pension fund, employers and local taxpayers	0
	A regularly updated appreciation of the latest changes to the scheme rules.	0
	Knowledge of the role of the administering authority in relation to the LGPS	6
	<b>Pensions regulators and advisors</b> An understanding of how the roles and powers of the Pensions Regulator, the Pensions Advisory Service and the Pensions Ombudsman relate to the workings of the scheme.	1
	<b>General constitutional framework</b> Broad understanding of the role of pension fund committees in relation to the fund, administering authority, employing authorities, scheme members and taxpayers.	5
	Awareness of the role and statutory responsibilities of the treasurer and monitoring officer.	8
	<b>Pension scheme governance</b> An awareness of the LGPS main features.	1
	Knowledge of the Myners principles and associated CIPFA and SOLACE guidance.	4
	A detailed knowledge of the duties and responsibilities of committee members.	4
	Knowledge of the stakeholders of the pension fund and the nature of their interests.	6
Knowledge of consultation, communication and involvement options relevant to the stakeholders.	3	
<b>Pensions accounting and auditing standards</b>	Awareness of the Accounts and Audit Regulations and legislative requirements relating to the role of the committee and individual members in considering and signing off the accounts and annual report.	3
	Awareness of the role of both internal and external audit in the governance and assurance process.	4

Skills area		# of times covered by training
<b>Financial services procurement and relationship management</b>	<b>Understanding public procurement</b> Understanding of the background to current public procedures, and of the values and scope of public procurement and the roles of key decision makers and organisations.	1
	A general understanding of the main public procurement requirements of UK and EU legislation.	0
	<b>Supplier risk management</b> Awareness of the nature and scope of risks for the pension fund and of the importance of considering risk factors when selecting third parties.	9
<b>Investment performance and risk management</b>	<b>Total Fund</b> Understanding of the importance of monitoring asset returns relative to the liabilities and a broad understanding of ways of assessing long-term risks.	14
	<b>Performance of advisors</b> Awareness of the Myners principles of performance management and the approach adopted by the committee.	6
	<b>Performance of the committee</b> Awareness of the Myners principles and the need to set targets for the committee and to report against them.	5
	<b>Performance of support services</b> Awareness of the range of support services, who supplies them and then nature of the performance monitoring regime.	3
<b>Financial markets and product knowledge</b>	<b>Investment Strategy</b> Awareness of the risk and return characteristics of the main asset classes (equities, bonds, property) Understanding of the role of these asset classes in long-term pension fund investing.	15
	<b>Financial Markets</b> Understanding of the primary importance of the investment strategy decision.	14
	A broad understanding of the workings of the financial markets and of the investment vehicles available to the pension fund and the nature of the associated risks.	13
	An awareness of the limits placed by regulation on the investment activities of local government pension funds.	11

Skills area	# of times covered by training	
<b>Actuarial methods, standards and practices</b>	<b>Valuations</b> Knowledge of the valuation process, including developing the funding strategy in conjunction with the fund actuary, and inter-valuation monitoring.	<b>5</b>
	Awareness of the importance of monitoring early and ill health retirement strain costs.	<b>2</b>
	A broad understanding of the implications of including new employers into the fund and of the cessation of existing employers.	<b>1</b>
	<b>Outsourcing</b> A general awareness of the relevant considerations in relation to outsourcings and bulk transfers.	<b>0</b>
	Ethical Investing (additional learning aim requested by Cllrs)	<b>15</b>



# **ORKNEY**

## **ISLANDS COUNCIL**

# **Pension Fund Training Plan**

## **2025**

### **1. Introduction**

The Orkney Islands Council Pension Fund is committed to providing training to those involved in the governance of the Fund to ensure that they have the skills and understanding required to carry out their stewardship role. This includes regular events to cover the latest developments in the Local Government Pension Scheme, investment strategy and performance monitoring. In April 2015, the Pension Fund Sub-committee adopted the CIPFA Code of Practice on Public Sector Pensions Finance Knowledge and Skills.

It is important that members of both the Pension Fund Sub-committee and the Pension Board receive appropriate training to allow them to carry out their roles effectively

This training plan sets out how levels of understanding will be assessed, and how the knowledge and skills requirement and other regulatory requirements will be supported through training events over the next financial year.

### **2. Knowledge and Skills Framework**

There are eight areas of knowledge and skills that have been identified as the core requirements for those with decision making responsibility for Local Government Pension Scheme funds. They are:

- Pensions legislation and guidance.
- Pensions governance.
- Funding strategy and actuarial methods.
- Pensions administration and communications.
- Pensions financial strategy, management, accounting, reporting and audit standards.
- Investment strategy, asset allocation pooling, performance and risk management.



- Financial markets and products.
- Pension services procurement, contract management and relationship management.

Members of the Pension Fund Sub-committee and the Pension Board are expected to have a collective understanding, and Officers are expected to have detailed understanding of these areas of knowledge and skills.

### **3. Pension Board Specific Requirements**

Members of the Pension Board are required to have the capacity to take on the role of assisting the Scheme Manager in relation to compliance with scheme regulations and the requirements of the Pensions Regulator.

In addition, in accordance with Section 248A of the Pensions Act 2004 which was introduced to make provision relating to pensions and financial planning for retirement, it is expected that every individual who is a member of a Local Pension Board will receive training, and as a result:

- Be conversant with the regulations governing the Local Government Pension Scheme, such as the Transitional Regulations and the Investment Regulations.
- Be conversant with any policy document relating to administration of the Fund.
- Have knowledge and understanding of the law relating to pensions.
- Have knowledge and understanding of such other matters as may be prescribed.

### **4. Committee and Pension Board Training**

Training for the Pension Fund Sub-committee and the Pension Board during 2025 will continue to focus on the following areas:

#### **Knowledge and Skills Framework**

All training will focus on maintaining the eight areas of knowledge and skills, with any gaps in knowledge identified throughout the past year and including the periodic use of member's self-assessment returns where appropriate.

#### **Training Events**

Expressions of interest are sought from members to attend relevant industry events, including conferences and seminars throughout the year. In the event that there is more interest to attend an event than places available, a decision to determine who should get approval to attend will be made by the Head of Finance, in consultation with the Chair of the Pension Fund Sub-committee, will determine appropriate representation and approve attendance.

#### **Informative Review Presentations**

Members will receive regular reports on the performance of the administration and investment functions throughout the year. In addition to this Members will be invited to attend informative review presentations by external advisors including the Pension Fund's appointed actuaries, investment advisors and fund managers.

## Electronic Resources

Members are invited to access training information available on the Pension Regulator's website setting out the governance requirements of the local government pension scheme, including the respective roles of the Pension Fund Sub-committee and Pension Board at the following link:

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

Additionally, resources from previous training events have been made available to Councillors on their Council electronic device under "Training". Training materials will be added to this folder going forward as and when events occur.

## 5. The Pensions Regulator New General Code of Practice (GCoP)

The Pensions Regulator's (TPR) new General Code of Practice (GCoP) was presented in parliament on 10 January 2024 and came into effect on 28 March 2024. This new code consolidates and updates ten existing codes of practice into a single set of clear and consistent expectations for scheme governance and administration. The GCoP applies to all pension schemes, both public and private.

[TPR general \(single\) code of practice | The Pensions Regulator](#)

The "Knowledge and Understanding Requirements" section of the GCoP mandates that the governing body, or pension board, must demonstrate that, collectively, they possess the skills, knowledge, and experience necessary to effectively manage the scheme. The governing body should:

- Have a balance of skills and experience throughout the board and be able to demonstrate this.
- Be able to apply its knowledge to governing the scheme.
- Have enough skills to judge and question advice or services provided by a third party.
- Be able to identify and address skills gaps.
- Have enough understanding of industry good practice and standards to assess scheme performance and its service providers.
- Keep records of the learning activities of individual members and the body as a whole.
- Be able to demonstrate steps it has taken to comply with the law.
- Have and maintain training and development plans to ensure that individual and collective knowledge and understanding is kept relevant and up to date.

The GCoP requires the governing body to regularly assess their skills and experience, with best practice being to conduct a formal audit of skills and experience periodically. In line with best practice, the Pension Fund Manager will issue a questionnaire to members and officers as part of a formal audit to assess

knowledge, skills, and experience against the Knowledge and Skills Framework and schedule appropriate training as needed.

In addition, to allow a formal record of completion to be maintained, Members should notify the Pension Fund Manager when they complete a module from the electronic Trustee Toolkit training referred too above.

## 5. Responsible Investment Training

To ensure compliance with the Pension Fund Committee's Responsible Investment Policy, members will undergo regular training on Responsible Investment. This training will equip them with the necessary understanding to support and inform their decision-making processes.

## 6. Other Training

Where gaps in individual members' knowledge have been identified that will not be met by the core training described above, then Members should approach Officers in the first instance with a view to addressing those needs.

Specific training can also be provided for the Chair of the Pension Fund Sub-committee and Pension Board to support them in their role, if required.

## 7. Officer Training

It is important that Officers have the required training to carry out the tasks of managing the Fund's investments and administering the payment of benefits. The knowledge and skills required of staff are set out in their job descriptions, including any formal qualifications required. Officers should be familiar with the requirements of the CIPFA Code of Practice on Knowledge and Skills and should have knowledge of the eight areas of the framework.

Officers will attend relevant professional training events, conferences and seminars during the year to ensure that they remain up to date with the latest requirements. In addition, they will be expected to keep up to date through use of the internet, and conduct research on relevant issues where required

For Officers, there will be a particular focus on the following areas:

**Governance** – Understanding the guidance and regulations in relation to local pension boards and keeping up-to-date with how other Funds are working with their boards, in order that the Pension Board can be supported effectively and add value to the governance of the Fund.

**New Investment Arrangements** – Understanding the implications of how the Financial Conduct Authority will implement the Markets in Financial Instruments Directive (MiFIDII) and what the Fund will need to do to comply.

**New Investment Products** – Keeping up to date with what the market is offering, in order to assess the validity of new products for investment by the Fund.

**Accounting Issues** – Keeping up to date with the latest CIPFA guidance on the format of the Pension Fund Statement of Accounts and the content of the Annual Report.

**Pensions Admin Regulations** – Understanding the latest guidance and interpretation of changes to LGPS Regulations and their impact on procedures.

**Pensions Admin Systems** - Keeping up to date with updates/new releases to the software system Altair, passing training onto all staff.

**Wider Pensions Issues** – Understanding the impact of wider Government reforms to pensions, such as “freedom and choice” on the LGPS.

## **8. Reporting and Compliance**

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