

INVESTMENT SUB-COMMITTEE			
REPORT TITLE	MEMBER TRAINING		
KEY DECISION	No		Item No. 4
WARD	All		
CONTRIBUTORS	Executive Director for Resources		
CLASS	Part 1	Date: 23 March 2010	

1. Purpose of the Report

- 1.1. Potential changes to the committee composition resulting from the forthcoming elections make it appropriate to consider the skills necessary to ensure the continued level of expertise in managing the fund and a programme to identify and build skills where necessary

2. Recommendations

It is recommended that Investment Sub Committee:-

- 2.1. considers the core skills required by officers and members to appropriately manage the fund; and
- 2.2. considers the training options available and agrees the best approach.

3. Officer Responsibilities and Core Skills

- 3.1. Conventionally officers are responsible for the operational aspects of managing the Pension Fund and will engage with members and third parties on strategic issues. Training is provided to officers either as part of obtaining a professional qualification, attendance at seminars and conferences or the provision of technical information by professional advisors.

4. Member Responsibilities and Core Skills

- 4.1. Members of the Pensions Investment Committee have executive authority over the Pension Fund and consequently that decisions are taken in the long term best interests of the Fund.
- 4.2. Members will need to consider reports by Fund Managers, Independent Advisors and Officers on complex issues of investment strategy and performance. Members must be able to actively assess whether investment strategies are

consistent with Lewisham's policies, whether risks are acceptable and whether fund managers are likely to deliver their targets.

- 4.3. Members should be able to put the performance of Lewisham's pension fund into context and appreciate when performance is good or bad. Members should be able to understand why performance is good or bad and potential solutions to improve performance. Being able to effectively question fund managers and officers is a key part of this.
- 4.4. A key concept is being able to balance risk and reward and members should have a good working knowledge of the risks the Fund is exposed to and the measures taken to reduce those risks and any consequences.

5. Formal Training Options

- 5.1. There are a number of formal training options available through both currently contracted third parties and other external providers. The contracted third parties are Lewisham's Treasury Management advisory service; Lewisham's Independent Pension Fund Advisor; Lewisham's Pension Fund Custodian; Lewisham's Actuary; Lewisham's Fund Managers.
- 5.2. Other external parties can also provide training but the aforementioned have all been appointed by Lewisham for the skill they have demonstrated in their fields and are currently actively involved in the management of Lewisham's fund. Thus it is proposed the aforementioned parties are the most appropriate to deliver training.
- 5.3. Whilst the Treasury Management Advisory Service doesn't specifically focus on pension funds, many of the underlying principles are consistent with those needed to understand pension fund management. This training would provide a framework for understanding the management issues. The offering from the Treasury Management Advisory Service is delivered in two parts focussing on Members' Responsibilities (Strategic Issues) and Officers' Responsibilities (Operational Issues). The course can be tailored by Lewisham. This training can be delivered as a half day or evening course and would incur additional cost. For the reason of additional cost it would be prudent to investigate other training options to provide this general overview.
- 5.4. Lewisham's Pension Fund Custodian is proactive in ensuring Officers can operationally understand and report on pension fund performance through online and face to face training and ongoing support. Formal training can be arranged for trustees that will go into more depth on the strategic management issues for a fee.
- 5.5. Lewisham's Independent Pension Fund Advisor provides the technical expertise and oversight of this complex and ever changing area helping officers and members to adequately understand risks and opportunities to steer the Fund in the best way. The Independent Investment Advisor can provide training to members and officers for a fee. Lewisham's actuary would also be able to educate on the risks involved in managing the fund.
- 5.6. Lewisham's Pension Fund is diversified into many asset classes each requiring specialist knowledge to fully understand. The fund managers are willing to engage with members and officers to help with a mutual understanding of the

requirements of Lewisham's pension fund. Formal training would have to be requested and fees negotiated.

- 5.7. Thus there are numerous training options available each with their own merits and costs. It is recommended the training approach should be based on the current skill base of the officers (which is to be reassessed when changes to the native skill set required occur or with changes to personnel) and members and the agreed view of what the necessary skills to manage the fund are. It can then be decided what training elements are required and who is best to deliver them.

6. Informal Skills Development

- 6.1. On top of the formalised training there are plenty of additional training guides and resources available to both Officers and Members. A list of good sources to be actively engaged with is to be compiled and circulated.
- 6.2. Much of what happens in the Markets that the Lewisham Pension Fund is exposed to is reported in quality newspapers like the Financial Times. Members and officers are encouraged to use knowledge acquired from such sources to question the impact on Lewisham's Pension fund and apply those questions to the employed third parties.

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