

The Local Government Pensions Committee
Secretary: Mike Walker

CIRCULAR

Please pass on sufficient copies of this Circular to your Treasurer/Director of Finance and to your Personnel and Pensions Officer(s) as quickly as possible

No. 186 – JUNE 2006

(1) LGPS TRUSTEES' CONFERENCE

(2) TRUSTEE TRAINING "FUNDAMENTALS 2006"

Purpose of this circular:

1. This Circular has been issued to advise authorities of:
 - a) a forthcoming LGPS Trustees' conference that has been organised by the Local Government Pensions Committee (LGPC), and
 - b) the 5th running of a series of "Fundamentals" regional training events for elected members and others who sit on Pension Committees and/or Panels.
2. Although primarily aimed at elected members, both the conference and training events announced in this Circular will be of interest to other persons who attend Pension Committees, Panels or sub-Committees etc. (e.g. employing authority, Trade Union and pensioner representatives).

(1) LGPS TRUSTEES' CONFERENCE

Background:

3. Responding to several requests from elected members, the LGPC staged an inaugural annual trustees' conference in York in September 2003. The conference was specifically aimed at elected members with responsibility for the Local Government Pension Scheme in their area, and a number of speakers addressed issues from a "trustee" perspective. Following the success of the inaugural event, the second annual trustees' conference was held in October 2004 with a "communications" theme, and the third held in October 2005 with a "futuristic" theme.
4. Delegate places are not restricted to elected members only, indeed the conference has been attended by many officers who either support pension committees or hold pension fund investment/administration responsibilities. The conference also acts as an annual update for those persons who have been through the LGPC's "Fundamentals" course, keeping them up-to-date with developments in the local government pension world.

2006 Conference Details:

5. The fourth annual conference, themed "Opportunity Knocks" is to be held on 19th and 20th October 2006 at the Crowne Plaza Hotel, Wellington Street, Leeds commencing with a buffet lunch at 12:30 p.m. The first of the afternoon sessions will commence at 13:45. Following the afternoon programme there will be a drinks reception in the evening and a private conference dinner with an after-dinner speaker. Overnight accommodation and breakfast at the Crowne Plaza is included in the conference fee (see cost and booking details below). The second day consists of a full morning's programme concluding with a buffet lunch for delegates at 13:00 p.m. This format has been appreciated by previous delegates, as it allows plenty of time for travel and avoids the expense of an extra nights' accommodation in many cases.
6. Pensions in general, and local government pensions in particular, are very much to the fore at present. This year's conference is in the same month that new anti-age discrimination legislation will come into force in the United Kingdom and should be well-timed to look at the possibilities for a "new look" LGPS in England and Wales for 2008 and beyond (the Department for Communities and Local Government [DCLG] intend to issue a policy discussion paper in the Summer of 2006 and begin a statutory consultation exercise in the Autumn of 2006). There are many other opportunities on the horizon too, including options for administration, committee structures and the mitigation of investment risks.
7. A conference leaflet including details of the final programme will be issued with another LGPC Circular in August 2006.

Cost and Booking

8. The venue for the 2006 conference is the Crowne Plaza Leeds, which has easy access to the M621, M1 and M62 motorways. It is 10 miles from Leeds/Bradford Airport and only a five-minute walk away from Leeds City Centre and its train station. All rooms are en-suite and air-conditioned. **The conference fee is all-inclusive.** All meals from arrival to departure, overnight accommodation at the Crowne Plaza, and all delegate materials are included in the conference fee of £385 plus VAT. Due to the strictly limited number of places available, early booking is highly recommended.
9. Booking for the conference is via the events on-line booking system which can be found on the Local Government Employers' website at www.lge.gov.uk/events. When booking, you will need full delegate details, including the delegate's mailing address if this is different to that to which the invoice for payment is to be sent.
10. If you experience any difficulties in using the on-line booking system or do not have access to the internet, please contact Elaine English, LGPC Executive Officer, on 020 7187 7344

(2) TRUSTEE TRAINING "FUNDAMENTALS 2006"

Background:

11. Fundamentals is an A-Z bespoke Local Government Pension Scheme training course for elected members, and has been attended by over 370 delegates since 2002. The course was remodelled in 2004, updated in 2005 and is being updated again for 2006. The 2006 event will incorporate all the recent and forthcoming changes to the LGPS and the investment sections have been revised and restructured under the headings "Back to Basics" as can be seen in the appendix to this circular.
12. Despite these revisions, the aim of the LGPC remains unaltered; that is to deliver a single training course covering all aspects of the Scheme, including both "Benefits" and "Fund" administration, as well as investments, so that elected members can
 - demonstrate compliance with the first of the ten CIPFA principles;
 - meet the objectives espoused in the Office of the Deputy Prime Minister's report on the stock-take of the Local Government Pension Scheme; and
 - adhere to those principles set out in the Pensions Act 2004 that relate to the knowledge and understanding requirements that appertain to trustees of occupational pension schemes.

Details of *Fundamentals 2006*

13. The fundamentals course is run on an annual basis, and provides an insight into LGPS “trusteeship” for new Committee members whilst also serving as an update/refresher course for longer-serving members. The course is of three days duration, spread over a number of months.
14. *Fundamentals 2006* is being delivered at three locations around the United Kingdom as follows:

Cardiff (Marriott)	Day 1	31 October 2006
	Day 2	16 November 2006
	Day 3	5 December 2006
Leeds (Crowne Plaza)	Day 1	24 October 2006
	Day 2	7 November 2006
	Day 3	12 December 2006
London (Layden House)	Day 1	26 October 2006
	Day 2	14 November 2006
	Day 3	6 December 2006

15. The outline programme for the 3-day course is attached as Appendix A, although some flexibility on the course content is built in to include any major developments in the world of local government pensions between now and the time the courses run. *Fundamentals 2006* is designed as a three-day course, with identical material being delivered at each location. It is therefore possible to attend the course by visiting different locations should delegates’ diaries not allow attendance on all three days at a particular location.

Certificate of Attendance

16. Attendees at all three sessions will receive an attendance certificate signed on behalf of the Local Government Pensions Committee. It is believed that attendance at all three days of the course will satisfy at least the minimum of training required to satisfy the first of the ten CIPFA principles.

Cost and Booking Details:

17. The cost of attending each day is only £145 + VAT, making the cost of the three-day course £435 + VAT. The fee includes all refreshments, lunch and course materials.

Early booking is highly recommended as places at each venue are strictly limited. Booking is via the events booking facility on the Local Government Employers’ website at www.lge.gov.uk/events. When

booking, you will need full delegate details to hand including the address to which the invoice for payment is to be sent.

18. If you experience any difficulties in using the website booking facility or do not have access to the internet, please contact Elaine English, LGPC Executive Officer, on 020 7187 7344

Further Training Opportunities

19. If you wish to comment or make suggestions for future training events please contact Tim Hazlewood, LGPC Training & Development Manager, by telephone on 01530 242777, by fax to 01530 244771, or by email to tim.hazlewood@lge.gov.uk

Tim Hazlewood
LGPC Training and Development Manager
16 June 2006

Fundamentals 2006 - Day 1

- 9.30 **Registration and Coffee**
- 9.50 **Introduction to the Programme**
- 10.00 **The Benefits Framework “Past and Present”**
- The changing LGPS 1922 – 1995; how the scheme developed over the years
 - Interaction with State Provision; the impact of National Insurance, SERPS and S2P
 - The 1997 Scheme – a core scheme plus discretions; a look at the comprehensive benefit structure of the scheme
 - The Scheme in 2006 – how the scheme has recently altered
 - Administering Authority and Employing Authority Discretions – how many are there and who is responsible for them
 - Pensions for Councillors (England and Wales)
- 11.15 **Coffee Break**
- 11.30 **The Investment Framework**
- The Local Government Pension Scheme (Management and Investment of Funds) Regulations 1998 – the statutory framework for investments
 - CIPFA Principles – a look at the ten investment principles
 - Statement of Investment Principles
 - Interaction with the Funding Strategy Statement
- 12.00 **Corporate Governance**
- Approach to Corporate Governance
 - Voting
 - Activism and Engagement
 - Institutional Shareholders Committee principles
 - Socially Responsible Investment
- 12.30 **Lunch**

1.30 to 4:00 **(Break at 2:45)**

BACK TO BASICS - Traditional Asset Classes

An explanation of:

- UK Equities
- Overseas Equities
- UK Gilts
- UK Index-Linked Gilts
- Corporate Bonds
- Property

Including a look at:

- 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

4.00 **Close**

Fundamentals 2006 - Day 2

9:30 **Registration and Coffee**

9:45 **Valuations**

- How are valuations done?
- What assumptions are used?
- What are the inputs and outputs?
- What things can affect the results?
- Inter-valuation monitoring

Funding Strategy Statements

- The requirements
- Funding targets
- Smoothing
- Amortization periods
- Stepping
- Dealing with multiple employers
- Constructing the Statement
- Monitoring the Statement

11:15 **Break**

11.30 **Setting the Benchmark and Asset/Liability modelling**

- What is the benchmark?
- Why does it matter?
- General principles of asset/liability modelling
- The assumptions
- Different approaches to setting the benchmark

12.30 **Lunch**

13.30

Communication Strategies/Policies

- New for 2006 – Policy Statement Requirement
- LGPS – Valuable part of employment package
- Purpose and effect – Changes and Choices
- Vehicle for satisfying disclosure
- A look at some good practice initiatives
 - Scheme Member Communications
 - Representation on Committee / Committee Structure
 - Participating Employer Involvement
 - Working together – National & local initiatives

2.00 to 4:00 **(Break at 2:45)**

BACK TO BASICS 2 – Established Alternative Investments

An explanation of:

- Private Equity
- Commodities
- Hedge Funds
- Emerging Markets
- Currency Funds
- High Yield Bonds
- Overlays

Including a look at:

- 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
- Some examples of Overlay Funds & Strategies

16:00

Close

Fundamentals 2006 - Day 3

- 9:30 **Registration and Coffee**
- 9:45 **Duties and Responsibilities of Committee Members**
- 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?
- 11:00 **Break**
- 11:15 **The Future for the LGPS?**
- The Stocktake 2004 / 2005 / 2006
 - 3 serious questions:
 - Is the scheme affordable?
 - Is it sustainable?
 - Can and should it survive?
 - What's the progress on a New Look LGPS for 2008?
- 12:30 **Lunch**

13:30 **Managers and Manager Selection**

An Independent Investment Consultant's view of:

- Selecting the right manager
- Managing Manager Relationships
- What to ask for in a Manager

14:00 (Break at 14:45)

BACK TO BASICS 3 - Bringing it all together

- The Evolution of LGPS Benchmarks
- Portfolios and Portfolio Construction
- Portfolio Concepts
- Combining Assets in your Portfolio
- Risks and Efficient Frontiers
- Standard Deviation
- Correlation
- Diversification
- Three Things to Remember !!!

15:55 **Course Review and Further Information**

16:00 **Close**

Distribution sheet

Chief executives of local authorities
Pension managers (internal) of administering authorities
Pension managers (outsourced) and administering authority client managers
Officer advisory group
Local Government Pensions Committee
Trade unions
ODPM
COSLA
SPPA
Private clients

Website

Visit the LGE's website at: www.lge.gov.uk/

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