



Pension Fund Sub Committee
29 June 2010

**Report from the Director of
Finance and Corporate Resources**

Wards affected:
ALL

CIPFA Pensions Panel – Knowledge and Skills Framework

1. SUMMARY

The report details the CIPFA Knowledge and Skills Framework and proposes a response to it.

2. RECOMMENDATIONS

Members are asked to comment on the suggestions in paragraph 3.8 and to agree the preparation of a questionnaire.

3 DETAIL

Background

3.1 Along with a number of other publications, CIPFA has recently published the Knowledge and Skill Framework to promote good governance in public sector pension scheme decision making bodies by providing a framework for the training and development of staff and members.

3.2 It is apparent that the governance of pension funds has become more demanding and high profile in recent years. The complexity of the regulations, fund deficits, stakeholder interests and investment strategies has increased pressure on those involved. For example, fifteen years ago most funds had balanced managers who invested across a range of gilts, equities and property. Today, most funds have a number of specialist managers who invest in a much wider range of assets. Officers and members are required to understand a range of asset classes, legislation, accounting and audit requirements, procurement, actuarial practice, asset allocation, and the relationship of assets to fund liabilities.

3.3 The Framework seeks to be:-

a) A tool for organisations to assess whether they have the right skill mix to meet their scheme financial management needs and

- b) A tool for individuals to measure their progress and plan their development.
- 3.4 The Framework recognises that different individuals / groups have varying roles. For officers, four main roles have been illustrated – Director of Finance, Chief Investment Officer / Head of Investment, pension fund accountant and assistant pension fund accountant. Six areas of knowledge and skills have been identified as the core technical requirements for both officers and members. These are:-
- a) Pensions legislative and governance context
 - b) Pensions accounting and auditing standards
 - c) Financial services procurement and relationship management
 - d) Investment performance and risk management
 - e) Financial markets and products knowledge
 - f) Actuarial methods, standards and practices.
- 3.5 Additional learning and development will be given to staff so that they meet the requirements.
- 3.6 For members, the Key Knowledge and Skills developed by CIPFA are detailed as Annex A. There are additional requirements for the Chair and Vice Chair of the Sub Committee. Some aspects of the member requirements, such as legislative and asset classes, are covered in the initial induction training given to members when they join the sub committee. Others are covered in investment reports, the report and accounts, the actuarial valuation process and reviews of investment opportunities. However, some aspects may not have been covered or covered inadequately.
- 3.7 In order to raise awareness of the issues involved, CIPFA suggests that funds should report on progress in their accounts. The 2008/09 accounts previously reported on members' training. CIPFA also proposes to go further, by establishing both a repository on information and facilitating web-based information and learning modules.
- 3.8 It is suggested that there are four main ways in which knowledge and skill levels can be increased:-
- a) Use of the web-based packages and CIPFA repository, when developed.
 - b) Manager or actuary led training sessions (either at sub committee meetings or separately), or specific training / for information items as part of the agenda. The Work Plan for the Sub Committee follows this approach. Further, over a period, many of the investment, legal and procurement issues are covered with Sub Committee agendas.
 - c) An improved induction training package produced by the Head of Exchequer and Investment that covers more of the areas outlined in the CIPFA Framework. New members are offered induction training when they join the Sub Committee.
 - d) Courses and seminars organised by managers, actuaries, NAPF and other experts. Details of these are circulated to members as they arise, but, with

the exception of the LGC Investment Summit at the Celtic Manor, these tend to be poorly supported.

- 3.9 It is also proposed that the Head of Exchequer and Investment drafts a questionnaire to clarify items on which members require additional skills and learning.

4. FINANCIAL IMPLICATIONS

- 4.1 There are no financial implications arising directly from the Framework, though members may wish to attend more seminars and courses.

5 DIVERSITY IMPLICATIONS

- 5.1 The proposals in this report have been subject to screening and officers believe that there are no diversity implications arising from it.

6 STAFFING IMPLICATIONS

- 6.1 None

7 LEGAL IMPLICATIONS

- 7.1 There are no legal implications arising from the plans.

8 BACKGROUND

- 8.1 Previous work programmes for the Sub-Committee.

9. CONTACT OFFICERS

- 9.1 Persons wishing to discuss the above should contact the Exchequer and Investment Section, Brent Financial Services, on 020 8937 1472/74 at Brent Town Hall.

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ANNEX A

Pensions Knowledge and Skills Framework for Elected Representatives and Non-executives

Pensions legislative and governance context	Pensions accounting and auditing standards	Financial services procurement and relationship management	Investment performance and risk management	Financial markets and products knowledge	Actuarial methods, standards and practices
<p>General pensions framework</p> <p>A general awareness of the pensions legislative framework in the UK.</p> <p>Scheme-specific legislation</p> <p>An overall understanding of the legislation specific to the scheme and the main features relating to benefits, administration and investment.</p> <p>An awareness of the Local Government Pension Scheme (Benefits, Membership and Contributions) Regulations 2007 and Local Government Pension Scheme (Administration) Regulations 2008 and their main features.</p> <p>An appreciation of LGPS discretions and how the formulation of the discretionary policies impacts on the pension fund, employers and local taxpayers.</p>	<p>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.</p> <p>Awareness of the role of both internal and external audit in the governance and assurance process.</p>	<p>Understanding public procurement</p> <p>Understanding of the background to current public procurement policy and procedures, and of the values and scope of public procurement and the roles of key decision makers and organisations.</p> <p>A general understanding of the main public procurement requirements of UK and EU legislation.</p> <p>Supplier risk management</p> <p>Awareness of the nature and scope of risks for the pension fund and of the importance of considering risk factors when selecting third parties.</p>	<p>Total fund</p> <p>Understanding of the importance of monitoring asset returns relative to the liabilities and a broad understanding of ways of assessing long-term risks.</p> <p>Performance of advisors</p> <p>Awareness of the Myners principles of performance management and the approach adopted by the committee.</p> <p>Performance of the committee</p> <p>Awareness of the Myners principles and the need to set targets for the committee and to report against them.</p> <p>Performance of support services</p> <p>Awareness of the range of support services, who supplies them and the nature of the performance monitoring regime.</p>	<p>Investment strategy</p> <p>Awareness of the risk and return characteristics of the main asset classes (equities, bonds, property).</p> <p>Understanding of the role of these asset classes in long-term pension fund investing.</p> <p>Financial markets</p> <p>Understanding of the primary importance of the investment strategy decision.</p> <p>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.</p> <p>An awareness of the limits placed by regulation on the investment activities of local government pension funds.</p>	<p>Valuations</p> <p>Knowledge of the valuation process, including developing the funding strategy in conjunction with the fund actuary, and inter-valuation monitoring.</p> <p>Awareness of the importance of monitoring early and ill health retirement strain costs.</p> <p>A broad understanding of the implications of including new employers into the fund and of the cessation of existing employers.</p> <p>Outsourcing</p> <p>A general awareness of the relevant considerations in relation to outsourcings and bulk transfers.</p>

Pensions legislative and governance context	Pensions accounting and auditing standards	Financial services procurement and relationship management	Investment performance and risk management	Financial markets and products knowledge	Actuarial methods, standards and practices
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A regularly updated appreciation of the latest changes to the scheme rules.

Knowledge of the role of the administering authority in relation to the LGPS.

Pensions regulators and advisors

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.

General constitutional framework

Broad understanding of the role of pension fund committees in relation to the fund, administering authority, employing authorities, scheme members and taxpayers.

Awareness of the role and statutory responsibilities of the treasurer and monitoring officer.

Pensions legislative and governance context	Pensions accounting and auditing standards	Financial services procurement and relationship management	Investment performance and risk management	Financial markets and products knowledge	Actuarial methods, standards and practices
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Pension scheme governance
 An awareness of the LGPS main features.
 Knowledge of the Myners principles and associated CIPFA and SOLACE guidance.
 A detailed knowledge of the duties and responsibilities of committee members.
 Knowledge of the stakeholders of the pension fund and the nature of their interests.
 Knowledge of consultation, communication and involvement options relevant to the stakeholders.