

<b>Essex Pension Fund Board</b>	<b>EPB/26/11</b>
<b>Date: 28 September 2011</b>	

## **Pension Fund Board Knowledge and Skills**

Report by the Independent Governance and Administration Adviser

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### **1. Purpose of the Report**

- 1.1 To provide an update on the formalisation of the CIPFA Knowledge and Skills Framework and to update the training plan for 2011/12.

### **2. Recommendations**

- 2.1 To agree the updated training plan.

### **3. Background**

- 3.1 In January 2010, CIPFA published the first comprehensive technical knowledge and skills frameworks for those involved in the day to day financial management and decision-making in public sector pension schemes. As part of this, CIPFA published the expected knowledge requirements for both LGPS Pension Board members and LGPS officers. LGPS funds were encouraged to adopt these frameworks.
- 3.2 At the March 2010 Board meeting it was agreed that the Board would work towards compliance with the CIPFA Knowledge and Skills Framework and that a training plan would be developed with this in mind. Annex A includes details of the knowledge requirements for LGPS Pension Board members.

### **4. Forthcoming CIPFA Codes of Practice**

- 4.1 CIPFA are expected to shortly announce that these frameworks are being developed into formal Codes of Practice and accordingly each LGPS Fund will be required to state their compliance with the Framework in their Terms of Reference, training policy or other appropriate place, and how they have achieved that compliance with the first statements to be included in their 2011/12 Annual Report and Accounts. Annex B includes a draft of the compliance statement that will need to be included.
- 4.2 Since March 2010, the Board have been working through a training plan to assist them in achieving the necessary knowledge as required by the Framework. The 2011/12 training plan was presented to the March 2011 Board and at that meeting it was agreed that a Training Needs Analysis would be carried out by Board members to identify any gaps in knowledge, which will also feed into the training plan. These steps are essential to be able to ensure we best placed to be report full compliance with CIPFA's Code of Practice for 2011/12.

### **5. Training Needs Analysis and Future Training Plan**

- 5.1 Not all members of the Board were able to complete the Training Needs Analysis. Of those that did, the results demonstrated a good basic knowledge of the LGPS and Board matters.
- 5.2 It is acknowledged that the Training Needs Analysis is time consuming to complete and that these were issued during the summer holiday season. Those members who have not completed it are asked to still continue to do so that the training plan can continue to be customised and developed to suit the Board's needs. It is stressed that Board members are not expected to achieve full marks in the Training Needs Analysis, as it has been designed to identify key gaps in knowledge and provide evidence of the Board collectively meeting the requirements of the CIPFA's Framework.

- 5.3 The Training Plan has been updated to take into consideration the results of the Training Needs Analysis that have been received to date, as well as training areas already covered recently. The updated plan is attached at Annex C. It is recommended that officers continue to evolve this training plan as required. The separate agenda item relating to future meeting dates explains that additional dates are being arranged that may be used for training purposes in order to ensure sufficient time is available for training and to minimise lengthy training sessions prior to Board meetings.
- 5.4 The plan in Annex C also includes the forthcoming Annual Strategy Day. The proposed agenda for this day is as follows:

1. Expected key issues in 2012/13 – training and discussion, including:
  - How are opt outs/outsourcings/bulk transfers out affecting the fund?
  - Reform of the LGPS
  - Other key issues
2. Essex Pension Fund objectives – How are we measuring up? Are the objectives right?
3. Business plan 2012/13 – What do we want to be doing?
4. Members' handbook – an electronic alternative (demonstration)

The day is expected to run from about 10am to 3.30pm. Full details will be circulated to members nearer the time.

- 5.5 The Board is asked to note that the CIPFA Knowledge and Skills Framework applies equally to officers. Officers are currently considering how best to take this forward.

## **6. Link to Essex Pension Fund Objectives**

- 6.1 The training already undertaken and the proposal to aim for compliance with the CIPFA Knowledge and Skills Framework will assist Board members and officers in achieving the following EPF Governance Objectives:
- Ensure the Pension Fund is managed and its services delivered by people who have the appropriate knowledge and expertise
  - Act with integrity and be accountable to our stakeholders for our decisions, ensuring they are robust and well based

## **7. Risk Implications**

- 7.1 Maintaining a high level of knowledge is a key objective for the Board. Insufficient knowledge could result in inappropriate decisions being made and/or lack of awareness of issues and opportunities. Given the size of the assets and liabilities being managed, this would be an unacceptably high level of risk for the Fund.

## **8. Communication Implications**

- 8.1 There are no communications requirements beyond ensuring the Board are kept abreast of progress against the training plan.

## **9. Finance and Resources Implications**

- 9.1 Monitoring progress against the training plan and delivering the necessary training will require additional resources for both officers and Board members but these are not considered to be excessive.
- 9.2 Officers will be used to deliver some of the training at minimal cost to the Fund. There may be other costs resulting in preparation of training and attending conferences/training sessions. To ensure value for money, officers will continue to consider all requests for training or conference attendance and any not considered to fit with the Fund's objectives will be declined.

## **10. Background Papers**

- 10.1 EPFB previous reports on EPFB training plans:
- 29 June 2011 – EPB1511
  - 9 March 2011 – EPB0411
  - 15 December 2010 – EPB1910
  - 31 March 2010 - EPB0110
  - 18 December 2009 – EPB2409

## Annex A - CIPFA Knowledge and Skills Framework for LGPS Pension Board members

### CIPFA Knowledge and Skills Criteria

#### **Pensions legislative and governance context**

##### *General pensions framework*

A general awareness of the pensions legislative framework in the UK.

##### *Scheme-specific legislation*

An overall understanding of the legislation specific to the scheme and the main features relating to benefits, administration and investment.

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.

An appreciation of LGPS discretions and how the formulation of the discretionary policies impacts on the pension fund, employers and local taxpayers.

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.

##### *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.

#### **Pensions accounting and auditing standards**

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.

Awareness of the role of both internal and external audit in the governance and assurance process.

## **CIPFA Knowledge and Skills Criteria**

### **Financial services procurement and relationship management**

#### *Understanding public procurement*

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.

A general understanding of the main public procurement requirements of UK and EU legislation.

#### *Supplier risk management*

Awareness of the nature and scope of risks for the pension fund and of the importance of considering risk factors when selecting third parties.

### **Investment performance and risk management**

#### *Total fund*

Understanding of the importance of monitoring asset returns relative to the liabilities and a broad understanding of ways of assessing long-term risks.

#### *Performance of advisor*

Awareness of the Myners principles of performance management and the approach adopted by the committee.

#### *Performance of the committee*

Awareness of the Myners principles and the need to set targets for the committee and to report against them.

#### *Performance of support services*

Awareness of the range of support services, who supplies them and the nature of the performance monitoring regime.

### **Financial markets and products knowledge**

#### *Investment strategy*

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.

#### *Financial markets*

Understanding of the primary importance of the investment strategy decision.

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.

An awareness of the limits placed by regulation on the investment activities of local government pension funds.

### **Actuarial methods, standards and practices**

#### *Valuations*

Knowledge of the valuation process, including developing the funding strategy in conjunction with the fund actuary, and intervaluation monitoring.

Awareness of the importance of monitoring early and ill health retirement strain costs.

### **CIPFA Knowledge and Skills Criteria**

A broad understanding of the implications of including new employers into the fund and of the cessation of existing employers.

#### *Outsourcing*

A general awareness of the relevant considerations in relation to outsourcings and bulk transfers.

## **Annex B – Draft Compliance Statement**

CIPFA recommends that all organisations responsible for the financial management of public sector pension schemes adopt as part of their standing orders, financial regulations or other formal policy documents appropriate to their circumstances, the following statement:

1. This organization adopts the key recommendations of Public Sector Pensions Finance - Knowledge and Skills: A CIPFA Code of Practice.
2. This organisation recognises that effective financial management and decision-making<sup>7</sup> can only be achieved where those involved have the requisite knowledge and skills.
3. Accordingly this organisation will create and maintain formal and comprehensive objectives, policies and practices, strategies and reporting arrangements for the effective acquisition and retention of public sector pension scheme finance knowledge and skills for those in the organisation responsible for financial management and decision-making.
4. These policies and practices will be guided by reference to a comprehensive framework of knowledge and skills requirements such as that set down in the CIPFA Pensions Finance Knowledge and Skills Frameworks.
5. This organisation will report on an annual basis how these policies have been put into practice throughout the financial year.
6. This organisation has delegated the responsibility for the implementation of the requirements of the CIPFA Code of Practice to [insert name of officer<sup>8</sup>] who will act in accordance with the organisation's policy statement, and, where he/she is a CIPFA member, with CIPFA Standards of Professional Practice (where relevant).



## Annex C

### Essex Pension Fund Board - Training Plan (to May 2013)

Note – Pre Board Training will be limited to short sessions (generally no more than one hour) wherever possible

What	Training Provider	When/Where	Overview
Training Needs Analysis	All Board members	Own time during September/October	Members who have not yet completed the Training Needs Analysis are asked to complete and return it during this period.
Pre-Board Training	Karen McWilliam and Kevin McDonald	28 September 2011	The Principles of an Interim Valuation
Training	*LGPC/LGE Trustee Fundamentals Training	3 separate days – likely to be spread over October, November and December 2011	Bespoke LGPS training course specifically for elected members. Designed to provide an insight into the LGPS “trusteeship”. Spaces still available. No interest from Board members to date.
Strategy Day	Various	November/December 2011	Training/discussions on key challenges/hot topics and then developing objectives and business plan for 2011/12. See separate agenda
Pre-Board Training	Karen McWilliam and Kevin McDonald	14 December 2011	<ul style="list-style-type: none"> <li>• Myners in the LGPS</li> <li>• Pensions accounting and auditing standards</li> </ul>
Pre-Board Training	Dependant on needs/agenda	7 March 2012	Dependant on needs/agenda
Conference	*NAPF Local Authority Conference	May 2012	Wide ranging topics beyond just investment matters. Details to be confirmed
Pre-Board Training	Dependant on needs/agenda	June/July 2012	Dependant on needs/agenda
Conference	*LGC Investment Summit	September 2012	Principally focussed on investment matters. Details to be confirmed.
Pre-Board Training	Dependant on needs/agenda	September 2012	Dependant on needs/agenda

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Strategy Day	Various	November 2012	Training/discussions on key challenges/hot topics and then developing objectives and business plan for 2012/13.
Pre-Board Training	Dependant on needs/agenda	December 2012	Dependant on needs/agenda
Training Day	To be confirmed	January 2013	
Pre-Board Training	Dependant on needs/agenda	March 2013	Dependant on needs/agenda
Training Day	To be confirmed	May 2013	
Conference	*NAPF Local Authority Conference	May 2012	Wide ranging topics beyond just investment matters. Details to be confirmed
Induction Training	As Required	To be confirmed	To be provided to any new members as soon as possible after joining.

\*Board members interested in attending any of the conferences or external training events are asked to provide expressions of interest to the Governance Team Manager.

#### Investment Steering Committee - Training Plan

New Members	Induction training on investment matters will be provided to any new members as soon as possible after joining using either an off-the-shelf course for LGPS investment matters, if one is readily available, or a customised training course delivered by officers, advisers and external resources.
All Members	Any required training on proposals in regard to new investment areas, approaches or changes in current practices will be delivered before any decisions are required to be made, at scheduled ISC meetings by officers, advisers and if

	required external resources.
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