



HILLINGDON
LONDON



Pensions Committee

Date: WEDNESDAY, 9
DECEMBER 2015

Time: 7.00 PM

Venue: COMMITTEE ROOM 4 -
CIVIC CENTRE, HIGH
STREET, UXBRIDGE UB8
1UW

**Meeting
Details:** Members of the Public and
Press are welcome to attend
this meeting

Councillors on the Committee

Philip Corthorne (Chairman)
Michael Markham (Vice-Chairman)
Tony Eginton (Labour Lead)
Peter Davis
Beulah East

Published: Tuesday, 1 December 2015

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Terms of Reference

1. To review and approve all aspects of investment policy relating to the Pensions Fund, including authorisation or prohibition of particular investment activities.
2. To review the Statement of Investment Principles and amend it when necessary.
3. To agree benchmarks and performance targets for the investment of the Fund's assets and review periodically.
4. To keep the performance of the investment managers under regular review and extend or terminate their contracts as required. To appoint new managers when necessary.
5. To agree policy guidelines for the exercise of voting rights attached to the Fund's shares.
6. To review the appointment of specialist advisors and service providers and make new appointments as necessary.
7. To consider the overall implications of the Council's policies for employment and benefits issues and their impact on the Pension Fund and agree any strategic changes.
8. To authorise the admission of other bodies to the Fund.
9. To approve the appointment of persons to hear appeals under the Internal Dispute Resolution Procedure.
10. To consider issues concerning the administration of the Fund, including approving responses to consultation papers.
11. To consider and decide whether to approve proposals for discretionary enhanced early retirement packages for officers.
12. The Corporate Director of Finance be authorised to take urgent decisions in relation to the pensions fund and investment strategy on behalf of the Committee, reporting back to the Pensions Committee any exercise of these powers for ratification.

Agenda

CHAIRMAN'S ANNOUNCEMENTS

PART I - Members, Public and Press

- 1 Apologies for Absence
- 2 Declarations of Interest in matters coming before this meeting
- 3 Minutes of the meeting - 5 October 2015 1 - 6
- 4 To confirm that items marked Part I will be considered in public and those marked Part II will be considered in private

PART II - Members Only

- 5 Part II Minutes of the meeting - 5 October 2015 7 - 12
- 6 Diversified Growth Funds - Training Item
- 7 Investment Strategy and Fund Manager Performance 13 - 66
- 8 Pension Administration Contract
- 9 Pensions Administration Performance 67 - 72
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- 11 Pension Fund Risk Management 131 - 138

Minutes

Pensions Committee

5 October 2015

Meeting held at Committee Room 4 - Civic Centre,
High Street, Uxbridge UB8 1UW



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	<p>Committee Members Present: Councillors Michael Markham (Vice-Chairman - In the Chair), Beulah East, Tony Eginton, Peter Davis and Susan O'Brien.</p> <p>Apologies: Councillor Philip Corthorne (Councillor Susan O'Brien substituting) and Scott Jamieson (Advisor).</p> <p>Also Present: David O' Hara (Advisor) and Andrew Scott (Employee Representative of Pensions Board).</p> <p>LBH Officers Present: Tunde Adekoya, Ken Chisholm, Sian Kunert, Nancy Le Roux, Paul Whaymand and Khalid Ahmed.</p>
<p>15.</p>	<p>DECLARATIONS OF INTEREST IN MATTERS COMING BEFORE THIS MEETING</p> <p>Councillor Susan O'Brien declared a Non-Pecuniary Interest in all agenda items as she was a "deferred" member of the Local Government Pension Scheme. She remained in the room during discussion on the item.</p> <p>Councillor Tony Eginton declared a Non-Pecuniary Interest in all agenda items as he was a retired member of the Local Government Pension Scheme. He remained in the room during discussion on the item.</p>
<p>16.</p>	<p>MINUTES OF THE MEETING OF 23 SEPTEMBER 2015</p> <p>Agreed as an accurate record subject to the inclusion of the following:</p> <p>[Under External Auditor Report on the Pension Fund Annual Report and Accounts to include the following:</p> <p>"Accuracy of Benefit Calculations- Discussion took place on problems that Capita had with the issuing of annual statements and that their performance had been poor. The Corporate Pensions Manager reported that a lot of work was being carried out in terms of identifying every individual staff member from schools and academies to enable records to be updated, but it was acknowledged that the overall performance of Capita had been poor in this respect."</p> <p>In relation to risk management and internal control systems and the</p>

	<p>comment relating to the identification of a number of differences between the valuations provided by the investment managers and that provided by Northern Trust, the following was added:</p> <p>"The Committee was informed that controls were being put in place to move this forward."</p> <p>An additional comment was also included as follows: "The Committee noted that the External Auditor's report on the audit of the Pension Fund Accounts was positive and indicated that the Council had achieved a satisfactory conclusion on the key audit risks. It was noted that the satisfactory conclusion was interpreted as a good performance by the Council."]</p>	
17.	<p>TO CONFIRM THAT ITEMS MARKED PART I WILL BE CONSIDERED IN PUBLIC AND THOSE MARKED PART II WILL BE CONSIDERED IN PRIVATE</p> <p>Items 5, 6, 7 and 8 and were considered in private.</p>	
18.	<p>MINUTES OF INVESTMENT STRATEGY SUB-COMMITTEE - 3 FEBRUARY</p> <p><i>This item was discussed as a Part II item without the press or public present as the information under discussion contained confidential or exempt information as defined by law in the Local Government (Access to Information) Act 1985. This was because it discussed 'information relating to the financial or business affairs of any particular person (including the authority holding that information)' (paragraph 3 of the schedule to the Act).</i></p> <p>Agreed as an accurate record, subject to noting that Councillor Tony Eginton had declared a Non-Pecuniary interest in all agenda items as he was a retired member of the Local Government Pension Scheme.</p>	
19.	<p>RISK AND INVESTMENT STRATEGY - TRAINING</p> <p><i>This item was discussed as a Part II item without the press or public present as the information under discussion contained confidential or exempt information as defined by law in the Local Government (Access to Information) Act 1985. This was because it discussed 'information relating to the financial or business affairs of any particular person (including the authority holding that information)' (paragraph 3 of the schedule to the Act).</i></p> <p>David O'Hara from KPMG provided the Committee with a presentation on the London Borough of Hillingdon Pension Fund Investment Strategy and Risk.</p> <p>RESOLVED:</p> <p>(1) That the information provided be noted.</p>	

20.	<p>INVESTMENT STRATEGY AND FUND MANAGER PERFORMANCE</p> <p><i>This item was discussed as a Part II item without the press or public present as the information under discussion contained confidential or exempt information as defined by law in the Local Government (Access to Information) Act 1985. This was because it discussed ‘information relating to the financial or business affairs of any particular person (including the authority holding that information)’ (paragraph 3 of the schedule to the Act).</i></p> <p>The Committee had a discussion about proposed changes for the investment strategy of the London Borough of Hillingdon Pension Fund.</p> <p>RESOLVED:</p> <ul style="list-style-type: none"> (1) That the Committee considered the proposed strategy changes and agreed the course of action discussed, particularly the proposed increase in exposure to direct lending and return target for the JP Morgan mandate. (2) That approval be given to the delegation of the implementation of decisions to the Officer and Advisor - Investment Strategy Group. (3) That the actions to be taken as discussed in respect of existing manager mandates be noted. 	<p>Action By:</p> <p>Nancy Le Roux</p> <p>Nancy Le Roux</p> <p>Nancy Le Roux</p>
21.	<p>PENSIONS ADMINISTRATION REPORT</p> <p><i>This item was discussed as a Part II item without the press or public present as the information under discussion contained confidential or exempt information as defined by law in the Local Government (Access to Information) Act 1985. This was because it discussed ‘information relating to the financial or business affairs of any particular person (including the authority holding that information)’ (paragraph 3 of the schedule to the Act).</i></p> <p>The Committee was provided with a report which provided an update on recent actions taken by officers in respect of the Capita Employee benefits contract, the latest pension administration performance and also details on early retirements for the first quarter of 2015/16.</p> <p>RESOLVED:</p> <ul style="list-style-type: none"> (1) That the recent actions taken by officers in the management of the Capita Employee Benefits contract be noted. (2) That the latest administration performance statistics, including information on Annual Benefit Statements and Transfers be noted. (3) That the latest information in respect of early retirements 	

	<p>be noted.</p> <p>(4) That officers be asked to develop a 'Plan B' in relation to the future of the Pensions Administration contract to present to Pensions Committee at the December meeting</p>	<p>Action By:</p> <p>Nancy Le Roux</p>
<p>22.</p>	<p>GOVERNANCE REPORT</p> <p><i>This item was discussed as a Part II item without the press or public present as the information under discussion contained confidential or exempt information as defined by law in the Local Government (Access to Information) Act 1985. This was because it discussed 'information relating to the financial or business affairs of any particular person (including the authority holding that information)' (paragraph 3 of the schedule to the Act).</i></p> <p>Consideration was given to a report which provided an update on governance issues for the London Borough of Hillingdon Pension Fund. Included in the report was a draft policy for reporting breaches of the law, an update on the first meeting of the local Pension Board, changes on the Statement of Investment Principles and current consultations on the LGPS.</p> <p>The Committee was informed that with the assistance of AON Hewitt, who had been appointed to develop governance arrangements for the Fund, a draft procedure for reporting breaches of the law had been developed.</p> <p>Members noted that breaches could occur in relation to the administration function of the scheme such as record keeping, internal controls, the calculating of benefits and making investment decisions.</p> <p>Recent changes to the governance of the Fund required that the Statement of Investment principles be updated and members were asked to agree those changes.</p> <p>RESOLVED:</p> <p>(1) That approval be given to the Reporting of Breaches Policy.</p> <p>(2) That the report on the first meeting of the local Pension Board be noted.</p> <p>(3) That approval be given to the changes to the Statement of Investment Principles.</p> <p>(4) That the work on potential changes to scheme governance be noted.</p>	
<p>The meeting, which commenced at 7.00pm closed at 8.25pm</p>		

These are the minutes of the above meeting. For more information on any of the resolutions please contact Khalid Ahmed on 01895 250833. Circulation of these minutes is to Councillors, Officers, the Press and Members of the Public.



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Agenda Item 5

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government (Access to Information) Act 1985 as amended.

Document is Restricted

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TRAINING POLICY

Contact Officers	Nancy Leroux, 01895 250353
Papers with this report	London Borough of Hillingdon Pension Fund Draft Training Policy CIPFA Knowledge and Skills Framework Local Pension Boards

SUMMARY

This report outlines the draft Training policy, for approval by the Committee. The Pension Fund Training Policy is designed to aid Pension Committee, local Pension Board members and senior officers in performing individual roles ensuring the fund is managed by individuals with the appropriate levels of Knowledge and Skills.

RECOMMENDATIONS

It is recommended that Pensions Committee:

- 1. Approve the Training Policy**
- 2. Discuss and agree actions in relation to training needs assessment**

INFORMATION

The management of the LGPS is highly complex as it covers a broad range of activities of a specialist nature. All those involved, including pension committee members, local pension board members, advisors, officers and administrative staff, require sufficient knowledge, skills and competencies to understand associated risk and efficiently manage the fund.

Pensions committee members are responsible for exercising a duty of care and have a fiduciary responsibility to the fund, employers and potential beneficiaries of the fund. Although there is not a statutory requirement for Pension Committee members to undertake training there is such a statutory requirement for local Pension Board Members. Due to the increased responsibility and decision making requirements, it is recommended best practice for Pensions Committee members to apply the same principles and to seek to develop a sound level of knowledge and understanding.

The CIPFA code of Practice recommends administering authorities formally adopt the CIPFA Knowledge and Skills Framework and that appropriate policies and procedures are in place. Under the knowledge and skills framework the administering authority is also recommended to publicly report what assessment of training needs have been undertaken and what training has been delivered. It is proposed that the training policy is inclusive of Pension Committee, local Pension Board members and senior officers.

To undertake an initial training needs assessment for Pension Committee Members, it is proposed that a senior officer has an individual discussion approach with each member to talk through the eight areas of knowledge and skills identified as core requirements, to self assess current skills and identify training needs. From those initial assessments, a draft

rolling training plan will be compiled to address the range of training expectations and requirements of Members. This will then be kept updated and discussed at future committees.

The Pensions Regulator provide a free online learning resource called the Public Service toolkit which is tailored for public sector pension funds and should be completed by local pension board members. Pension Committee Members wishing to access this resource can do so on the following link to the toolkit:

<http://www.thepensionsregulator.gov.uk/doc-library/learning-resources.aspx>

As previously agreed, to assist with Member development each Pensions Committee meeting will begin with a training item, covering a range of aspects, to meet the key areas of knowledge as identified within the training plan. This will ensure a structured approach of key areas being addressed. Pensions Committee will also be advised of training and networking events as they become available.

London Borough of Hillingdon Pension Fund

Training Policy

[Fund logo or formatting as required]

DRAFT

TRAINING POLICY

Introduction

This is the Training Policy of the London Borough of Hillingdon Pension Fund (the Fund), which is managed and administered by the London Borough of Hillingdon. It details the training strategy for those involved in the management of the Fund.

The Training Policy is established to aid Pensions Committee, local Pension Board members and senior officers in performing and developing in their individual roles, with the ultimate aim of ensuring that London Borough of Hillingdon Pension Fund is managed by individuals who have the appropriate levels of knowledge and skills.

Aims and Objectives

London Borough of Hillingdon recognises the significance of its role as Administering Authority to the London Borough of Hillingdon Pension Fund.

In relation to knowledge and skills of those managing the Fund, the Administering Authority's objectives are to ensure that:

- § the London Borough of Hillingdon Pension Fund is appropriately managed and that its services are delivered by people who have the requisite knowledge and expertise, and that this knowledge and expertise is maintained within the continually changing Local Government Pension Scheme and wider pensions landscape.
- § those persons responsible for governing the London Borough of Hillingdon Pension Fund have sufficient expertise to be able to evaluate and challenge the advice they receive, ensure their decisions are robust and well based, and manage any potential conflicts of interest.

All Pensions Committee, local Pension Board members and senior officers to whom this Policy applies are expected to continually demonstrate their own personal commitment to training and to ensuring that these objectives are met.

To assist in achieving these objectives, the London Borough of Hillingdon Pension Fund will aim to comply with:

- § the CIPFA Knowledge and Skills Frameworks and
- § the knowledge and skills elements of the Public Service Pensions Act 2013 and the Pensions Regulator's (tPR) Code of Practice for Public Service Pension Schemes.

To whom this Policy Applies

This Training Policy applies to all members of the Pensions Committee and the local Pension Board, including scheme member and employer representatives. It also

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Pensions Committee - 9 December 2015

applies to all officers in the London Borough of Hillingdon Pension Fund Management Team and the Section 151 Officer.

Less senior officers involved in the daily management of the Fund will also be required to have appropriate knowledge and skills relating to their roles, which will be determined and managed by the Deputy Director, Strategic Finance.

Advisers to the London Borough of Hillingdon Pension Fund are also expected to be able to meet the objectives of this Policy.

Officers of employers participating in the London Borough of Hillingdon Pension Fund who are responsible for pension matters are also encouraged to maintain a high level of knowledge and understanding in relation to LGPS matters, and the London Borough of Hillingdon will provide appropriate training for them. This will be covered further in the London Borough of Hillingdon Pension Fund Administration Strategy.

CIPFA and tPR Knowledge and Skills Requirements

CIPFA Knowledge and Skills Framework and Code of Practice

In January 2010 CIPFA launched technical guidance for pension committees and non-executives in the public sector within a knowledge and skills framework. The Framework set the skill set for those responsible for pension scheme financial management and decision making.

Subsequently, in July 2015 CIPFA launched technical guidance for local pension board members by extending the existing knowledge and skills frameworks in place. This Framework sets the skill set to enable pension board members to properly exercise their functions under Section 248a of the Pensions Act 2004, as amended by the Public Service Pensions Act 2013.

The Framework covers eight areas of knowledge and skills identified as the core requirements (which includes all those covered in the original Committee and non-executives framework):

- § Pensions legislation
- § Public section pensions governance
- § Pensions administration
- § Pension accounting and auditing standards
- § Financial services procurement and relationship management
- § Investment performance and risk management
- § Financial markets and products knowledge
- § Actuarial methods, standards and practice

CIPFA's Code of Practice recommends (amongst other things) that administering authorities:

- § formally adopt the CIPFA Knowledge and Skills Framework (or an alternative training programme)

- § ensure that the appropriate policies and procedures are put in place to meet the requirements of the Framework (or an alternative training programme);
- § publicly report how these arrangements have been put into practice each year, including what assessment of training needs has been undertaken, and what training has been delivered against the identified needs.

The Pension Regulator's Code of Practice

The Public Service Pensions Act 2013 (PSPA13) requires Pension Board members to:

- § be conversant with the rules of the scheme and any document recording policy about the administration of the scheme, and
- § have knowledge and understanding of the law relating to pensions and any other matters which are prescribed in regulations.

The degree of knowledge and understanding required is that appropriate for the purposes of enabling the individual to properly exercise the functions of a member of the Pension Board.

These requirements have been incorporated and expanded on within tPR's Code of Practice 14: Governance and Administration of Public Service Pension Schemes which came into force in April 2015.

Application to the London Borough of Hillingdon Pension Fund

London Borough of Hillingdon fully supports the use of the CIPFA Knowledge and Skills Framework, and tPR's Code of Practice and adopts the principles they set out. This Training Policy highlights how the Administering Authority will strive to achieve those principles through use of a rolling Training Plan together with regular monitoring and reporting.

The London Borough of Hillingdon Pension Fund Training Plan

London Borough of Hillingdon recognises that attaining, and then maintaining, relevant knowledge and skills is a continual process for Pensions Committee, local Pension Board members and senior officers, and that training is a key element of this process. London Borough of Hillingdon will develop a rolling Training Plan based on the following key elements:

Individual Training Needs

A training needs analysis will be developed for the main roles of Pensions Committee members, Pension Board members and senior officers customised appropriately to the key areas in which they should be proficient. Training will be required in relation to each of these areas as part of any induction and on an ongoing refresher basis.

Hot Topic Training

The Training Plan will be developed to ensure appropriately timed training is provided in relation to hot topic areas, such as a high risk area or an area of change for the Fund. This training may be targeted at specific roles.

General Awareness

Pensions Committee members, Pension Board members and senior officers are expected to maintain a reasonable knowledge of ongoing developments and current issues, which will allow them to have a good level of general awareness of pension related matters appropriate for their roles and which may not be specific to the Fund.

Each of these training requirements will be focussed on the role of the individual i.e. a Pensions Committee, a Pension Board member or the specific role of the officer.

Training will be delivered through a variety of methods including:

- § In-house training days provided by officers and/or external providers
- § Training as part of meetings (e.g. Pensions Committee and Pension Board meetings) provided by officers and/or external advisers
- § External training events
- § Circulation of reading material
- § Attendance at seminars and conferences offered by industry-wide bodies
- § Attendance at meetings and events with the London Borough of Hillingdon Pension Fund's investment managers and advisors
- § Links to on-line training
- § Access to the London Borough of Hillingdon website where useful Fund specific material is available

In addition London Borough of Hillingdon Pension Fund officers and advisers are available to answer any queries on an ongoing basis including providing access to materials from previous training events.

Initial Information and Induction Process

On joining the Pensions Committee, the Pension Board or the London Borough of Hillingdon Pension Fund Management Team, a new member, officer or adviser will be provided with the following documentation to assist in providing a basic understanding of London Borough of Hillingdon Pension Fund:

- § The members' guide to the Local Government Pension Scheme (LGPS)
- § The latest Actuarial Valuation report
- § The Annual Report and Accounts, which incorporate:
 - § The Funding Strategy Statement
 - § The Governance Policy and Compliance Statement
 - § The Statement of Investment Principles including London Borough of Hillingdon Pension Fund's statement of compliance with the LGPS Myners Principles
- § The Communications Policy
- § The Administration Strategy
- § The Administering Authority's Discretionary Policies
- § This Training Policy

In addition, an individual training plan will be developed to assist each member, Pension Board member or officer in achieving their identified individual training requirements within six months of those requirements being identified.

Monitoring Knowledge and Skills

In order to identify whether the objectives of this policy are being met the Administering Authority will compare and report on attendance at training based on the following:

- § Individual Training Needs – ensuring refresher training on the key elements takes place for each individual at least once every three years.
- § Hot Topic Training – attendance by at least **75%** of the required Pensions Committee, Pension Board members and senior officers at planned hot topic training sessions. This target may be focussed at a particular group of Pensions Committee members, Pension Board members or senior officers depending on the subject matter.
- § General Awareness – each Pensions Committee, Pension Board member or officer attending at least one day each year of general awareness training or events.
- § Induction training – ensuring areas of identified individual training are completed within six months.

Key Risks

The key risks to the delivery of this Policy are outlined below. The Pensions Committee, with the assistance of the Pension Board, will monitor these and other key risks and consider how to respond to them.

- § Changes in Pensions Committee and/or Pension Board membership and/or senior officers potentially diminishing knowledge and understanding.
- § Poor attendance and/or a lack of engagement at training and/or formal meetings by Committee Members, Pension Board Members and/or other senior officers resulting in a poor standard of decision making and/or monitoring.
- § Insufficient resources being available to deliver or arrange the required training.
- § The quality of advice or training provided is not an acceptable standard.

Reporting

A report will be presented to the Pensions Committee on an annual basis setting out:

- § The training provided / attended in the previous year at an individual level
- § The results of the measurements identified above.

This information will also be included in the London Borough of Hillingdon Pension Fund's Annual Report and Accounts.

At each Pensions Committee and Pension Board meeting members will be provided with details of forthcoming seminars, conferences and other relevant training events.

Costs

All training costs related to this Training Policy are met directly by London Borough of Hillingdon Pension Fund.

Approval, Review and Consultation

This Training Policy was approved at the London Borough of Hillingdon Pensions Committee meeting on **9 December 2015**. It will be formally reviewed and updated at least every three years or sooner if the training arrangements or other matters included within it merit reconsideration.

Further Information

If you require further information about anything in or related to this Training Policy, please contact:

Nancy le Roux, London Borough of Hillingdon, Deputy Director Strategic Finance

Civic Centre, High Street, Uxbridge, Middlesex, UB8 1UW

E-mail - nleroux@hillington.gov.uk

Telephone - 01895 250353

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PART I - MEMBERS, PRESS AND PUBLIC

Pensions Committee - 9 December 2015

local pension boards

A Technical Knowledge and Skills
Framework



CIPFA, the Chartered Institute of Public Finance and Accountancy, is the professional body for people in public finance. Our 14,000 members work throughout the public services, in national audit agencies, in major accountancy firms, and in other bodies where public money needs to be effectively and efficiently managed. As the world's only professional accountancy body to specialise in public services, CIPFA's qualifications are the foundation for a career in public finance. We also champion high performance in public services, translating our experience and insight into clear advice and practical services. Globally, CIPFA shows the way in public finance by standing up for sound public financial management and good governance.

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local pension boards

A Technical Knowledge and Skills
Framework

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Acknowledgements

This framework has been developed by Nigel Keogh (CIPFA Pensions Technical Manager) with guidance, direction and support from the CIPFA Pensions Panel.

The current members of the Pensions Panel are:

Bob Summers (Chairman) – Independent Consultant

Paul Dale – London Borough of Merton

Geoff Dobson – Suffolk County Council

Geik Drever – West Midlands Pension Fund

Jeff Houston – Local Government Employers Pensions Committee

John Hattersley – South Yorkshire Pensions Authority

Nicola Mark – Norfolk Pension Fund

Susan Martin – London Pensions Fund Authority

Paul Mayers – National Audit Office

Richard McIndoe – Glasgow Council

Chris Megainey – Department for Communities and Local Government

Graeme Russell (Vice Chairman) – Torfaen Borough Council

Trevor Salmon – Northern Ireland Local Government Officers' Superannuation Committee

Mark Taylor – Audit Scotland

Chris West – Coventry City Council

John Wright – Hymans Robertson

The Panel would like to thank Annemarie Allen at Barnett Waddingham for her contributions to the guidance.

The Panel would also like to acknowledge the role of the publication's sponsor, Barnett Waddingham, in helping to ensure that this key piece of guidance is available across the Local Government Pension Scheme.

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1. Purpose, Scope and Status of this Guidance

PURPOSE

- 1.1 A great deal of work has been done in recent years to address the provision of training to those who are involved in the administration of public service pension schemes. However in the absence of any detailed definition of what knowledge and skills are actually required to carry out a particular role, it is difficult to ascertain whether training is truly effective.
- 1.2 In an attempt to ensure that training can be delivered efficiently and effectively by identifying and focusing on the key knowledge areas, in recent years CIPFA has developed, with the assistance of expert practitioners, frameworks covering the knowledge and skills requirements for officers and elected members/non-executives involved in the administration of public service pension schemes.
- 1.3 The proposals in this publication are intended to further promote good governance in public service pension schemes' pension boards by extending these frameworks to cover the training and development of their board members. The objective is to improve knowledge and skills in all the relevant areas of activity of a pension board and assist board members in achieving the degree of knowledge appropriate for the purposes of enabling the individual to properly exercise the functions of a member of the pension board as required under Section 248a of the *Pensions Act 2004*¹, as amended by the *Public Service Pensions Act 2013*.

1. Section 248a of the *Pensions Act 2004* sets out the following:

Requirement for knowledge and understanding: pension boards of public service pension schemes

- (1) *This section applies to every individual who is a member of the pension board of a public service pension scheme.*
- (2) *An individual to whom this section applies must be conversant with—*
 - (a) *the rules of the scheme, and*
 - (b) *any document recording policy about the administration of the scheme which is for the time being adopted in relation to the scheme.*
- (3) *An individual to whom this section applies must have knowledge and understanding of—*
 - (a) *the law relating to pensions, and*
 - (b) *such other matters as may be prescribed.*
- (4) *The degree of knowledge and understanding required by subsection (3) is that appropriate for the purposes of enabling the individual properly to exercise the functions of a member of the pension board.*

- 1.4 This guidance is intended to complement the Pensions Regulator’s *Code of Practice No 14: Governance and Administration of Public Service Pension Schemes* (2015)². The *Code of Practice No 14* sets out the fact that the law requires, amongst other things, that local pension board members be conversant with the rules of the scheme and documents relating to its administration. Additionally, in the context of the Local Government Pension Scheme (LGPS) in particular, this will bring board members into contact with matters relating to investments, actuarial valuations, third party provision, scheme assurance, accounting and auditing³. This guidance therefore focusses on those areas by expanding on the specifics of the knowledge and skills requirements associated with public service pension schemes in general and the LGPS in particular, and assisting both scheme managers and pension board members in discharging their responsibilities as set out in the Pensions Regulator’s *Code of Practice No 14* insofar as they apply to knowledge and skills (a summary of the respective responsibilities of board members and the scheme manager can be found at Annex A).

SCOPE

- 1.5 The guidance is set in the context of LGPS pension boards in England and Wales but pension boards in other sectors and jurisdictions may find the frameworks of use in determining their own training programmes for pension board members.

2. www.thepensionsregulator.gov.uk/docs/code-14-public-service.pdf

3. The Pensions Regulator’s *Code of Practice 14: Governance and Administration of Public Service Pension Schemes* states in paragraphs 42 to 44:

‘For pension board members of funded pension schemes, documents which record policy about the administration of the scheme will include those relating to funding and investment matters. For example, where relevant they must be conversant with the statement of investment principles and the funding strategy statement.

Pension board members must also be conversant with any other documented policies relating to the administration of the scheme. For example, where applicable, they must be conversant with policies relating to:

- *the contribution rate or amount (or the range/variability where there is no one single rate or amount) payable by employers participating in the scheme*
- *statements of assurance (for example, assurance reports from administrators)*
- *third party contracts and service level agreements*
- *stewardship reports from outsourced service providers (for example, those performing outsourced activities such as scheme administration), including about compliance issues*
- *scheme annual reports and accounts*
- *accounting requirements relevant to the scheme*
- *audit reports, including from outsourced service providers, and*
- *other scheme-specific governance documents.’*

- 1.6 The framework is intended to have two primary uses:
- as a tool for scheme managers in meeting the Pensions Regulator’s *Code of Practice No 14* which states that scheme managers should ‘*establish and maintain policies and arrangements for acquiring and retaining knowledge and understanding to support their pension board members*’
 - as an assessment tool for individuals to measure their progress and plan their development in order to ensure that they have the appropriate degree of knowledge and understanding to enable them to properly exercise their functions as a member of a pension board.
- 1.7 The framework is intended to apply to all pension board members. However, it has been designed so that organisations and individuals can tailor it to their own particular circumstances.
- 1.8 In addition, in recognition of the more onerous roles of chairs, the framework also includes a specimen role specification for the chair of a pension board (see the example at Annex B).

STATUS

- 1.9 In 2013, CIPFA issued a *Code of Practice on Public Sector Pensions Finance Knowledge and Skills*.
- 1.10 The *Code of Practice on Public Sector Pensions Finance Knowledge and Skills* is underpinned by five key principles:
1. Organisations responsible for the financial administration of public sector pension schemes recognise that effective financial management, decision-making, governance and other aspects of the financial administration of public sector pension schemes can only be achieved where those involved have the requisite knowledge and skills.
 2. Organisations have the necessary resources in place to acquire and retain the necessary public sector pension scheme finance knowledge and skills.
 3. Organisations have in place 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 administration, scheme governance and decision-making.
 4. The associated policies and practices are 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. The organisation has designated a named individual⁴ to be responsible for ensuring that policies are implemented.
- 1.11 In setting out the *Code of Practice on Public Sector Pensions Finance Knowledge and Skills*, the Institute stated that ‘*this Code of Practice applies to all individuals that take on a*

4. The officer in question should be the senior officer responsible for the financial administration of the pension scheme. In the case of the LGPS, this would usually be the chief financial officer; in the NHS, for example, it would be the accounting officer.

decision-making, scrutiny or oversight role. This includes (where relevant to the governance structures employed in the management of the LGPS):

- *officers of the administering authority*
- *elected members of the administering authority*
- *employer representatives*
- *member-nominated representatives*
- *pensioner representatives*
- *co-opted members*
- *independent advisors*
- *internal auditors and audit committee members*
- *any other individuals involved in a decision-making, scrutiny or oversight role.*

The requirements will also apply to the members of local pension boards as set out in section 5 of the Public Service Pensions Bill, as and when such boards are established.'

- 1.12** It is therefore the professional responsibility of the named individual referred to under principle 5 above to establish and maintain policies and arrangements for acquiring and retaining knowledge and skills to support their pension board members. This professional requirement is in line with the Pensions Regulator’s *Code of Practice No 14* as set out in paragraph 38 of that Code⁵.
- 1.13** This guidance is offered as good practice in line with the previous *CIPFA Pensions Finance Knowledge and Skills Frameworks*, and is intended to assist practitioners in meeting their responsibilities under CIPFA’s *Code of Practice on Public Sector Pensions Finance Knowledge and Skills* (2013), particularly principle 4.

5. Paragraph 38 of the Pensions Regulator’s *Code of Practice No 14* states:
‘Schemes should establish and maintain policies and arrangements for acquiring and retaining knowledge and understanding to support their pension board members. Schemes should designate a person to take responsibility for ensuring that a framework is developed and implemented.’

2. Policy and Legislative Background

- 2.1** On 1 April 2015, the governance structure of the LGPS fundamentally changed as a result of new governance requirements introduced by *The Local Government Pension Scheme (Amendment) (Governance) Regulations 2015*.
- 2.2** These changes have their origins in the final recommendations of the Independent Public Service Pensions Commission (IPSPC) chaired by Lord Hutton of Furness. In June 2010 the IPSPC was formed to undertake a fundamental structural review of public service pension provision and to make recommendations to the chancellor and chief secretary on future pension arrangements. The IPSPC produced an interim report in October 2010 and a final report in March 2011⁶.
- 2.3** In the final report, the Commission concluded that (page 126):
- ‘scheme members in all the public services should be able to nominate persons to pension boards and committees along similar lines to the rights of members in the private sector to nominate persons to sit on boards of trustees. Pension boards should therefore include independent professionals and scheme members in similar proportions as apply in the private sector to boards of trustees. It is also very important that as well as the “lay persons” there are also independent members, usually professionally trained and with experience of the pensions environment.’*
- 2.4** The Commission went on to make the following recommendation:
- ‘Every public service pension scheme (and individual LGPS fund) should have a properly constituted, trained and competent pension board, with member nominees, responsible for meeting good standards of governance, including effective and efficient administration (recommendation 17a).’*
- 2.5** The Commission’s recommendation was taken forward in the drafting of the *Public Service Pensions Bill* (subsequently the *Public Service Pensions Act 2013*).
- 2.6** Under Regulation 5 of the *Public Service Pensions Act 2013*, the responsible authority⁷ for each public service pension scheme established under the 2013 Act is required to make

6. www.gov.uk/government/uploads/system/uploads/attachment_data/file/207720/hutton_final_100311.pdf

7. The “responsible authority” for each public service pension scheme is defined in Regulation 2 of the *Public Service Pensions Act 2013* as ‘the person who may make scheme regulations.’ For local government in England and Wales, this is set out in Schedule 2 of the Act as the secretary of state (DCLG).

provision in scheme regulations that requires each pension scheme manager⁸ to establish a pension board to assist the scheme manager in relation to the following:

- (a) securing compliance with the scheme regulations and other legislation relating to the governance and administration of the scheme and any statutory pension scheme that is connected with it;*
- (b) securing compliance with requirements imposed in relation to the scheme and any connected scheme by the Pensions Regulator;*
- (c) such other matters as the scheme regulations may specify.'*

2.7 Regulation 5 further directs that the scheme manager must include within its own scheme regulations provisions that require the scheme manager:

- (i) to be satisfied that a person to be appointed as a member of the board does not have a conflict of interest, and*
- (ii) to be satisfied from time to time that none of the members of the board has a conflict of interest;*
- (iii) ensure that a member of the board, or a person proposed to be appointed as a member of the board, be able to provide the scheme manager with such information as the scheme manager reasonably requires for the purposes of provision under the above;*
- (iv) ensure that the board include employer representatives and scheme member representatives in equal numbers.'*

2.8 As required under Regulation 5, the Department for Communities and Local Government (DCLG) laid an amendment to the *Local Government Pension Scheme Regulations 2013* on 28 January 2015, setting out the arrangements for establishing pension boards in the LGPS⁹. The relevant Regulations (Regulations 105 to 109 of the *Local Government Pension Scheme Regulations 2013* (as amended) are reproduced in full at Annex C for ease of reference.

2.9 A working group of the Shadow LGPS Scheme Advisory Board Governance and Standards Subcommittee has produced detailed guidance to scheme managers (administering authorities) to assist them in establishing local pension boards. This guidance can be found at www.lgpsboard.org/index.php/about-the-board/board-guidance

8. Regulation 4 of the *Public Service Pensions Act 2013* requires that public service pension schemes established under this Act (such as the LGPS from 1 April 2014) set out in scheme regulations who will be responsible for managing or administering the scheme. In the case of the LGPS, Regulation 53 of the *Local Government Pension Scheme Regulations 2013* sets out that each administering authority is designated the “scheme manager” for their fund.

9. *The Local Government Pension Scheme (Amendment) (Governance) Regulations 2015.*

3. Key Skills

- 3.1 The CIPFA Pensions Panel, with input from technical specialists covering each element of the skills matrix, has identified the key skills that lie at the core of successful public sector pension scheme administration.

SCOPE OF THE FRAMEWORK

- 3.2 Due to the complexity of pensions administration, these skill sets extend across several disciplines from accountancy and audit into areas of investment and actuarial finance, as well as knowledge of the legislative and governance environment. In total there are eight areas of knowledge and skills that have been identified as the core technical requirements for those working in public sector pensions finance. They are:

- pensions legislation
- public sector pensions governance
- pensions administration
- pensions accounting and auditing standards
- financial services procurement and relationship management
- investment performance and risk management
- financial markets and product knowledge
- actuarial methods, standards and practices.

These are expanded upon below.

- 3.3 The Institute recognises that there will of course be other technical (non-pensions related) and “softer” skills required in order to be competent in the role of a pension board member and Regulation 107 of the *Local Government Pension Scheme Regulations 2013* (as amended) makes specific reference to board appointees having the “capacity” to undertake the role. Whilst the Regulations do not define “capacity” in this context, the guidance referred to at paragraph 2.9 takes this to mean that board members should have ‘*time to commit to attend meetings, undertake training and effectively represent employers and (scheme) members (as appropriate).*’ The “soft” skills implied here are considered to be outside the scope of this framework but should also be considered when determining the ability of pension board members to effectively discharge their duties.

PENSIONS LEGISLATION

- 3.4 The pensions landscape is characterised by a complex legislative framework. In addition to the legislation of individual schemes, there are industry-wide statutes that apply in whole or in part to public sector schemes, including the way in which schemes interact with state pensions, the tax system, the Pensions Regulator etc.

- 3.5 A knowledge of this framework and the way in which it impacts upon the operations of individual schemes is key to understanding the context within which public sector pension schemes operate and the statutory obligations they are required to discharge.

PUBLIC SECTOR PENSIONS GOVERNANCE

- 3.6 On 1 April 2015, the governance structure that surrounds public sector pension schemes changed significantly. The *Public Service Pensions Act 2013* has introduced new bodies and relationships into what, in the LGPS in particular, was an already complex governance network.
- 3.7 Understanding how the pension board interacts with the other elements of this governance structure – the administering authority, the Scheme Advisory Board, the responsible authority (eg DCLG), the Pensions Regulator etc – and the various roles and responsibilities of those bodies is critical to the success of the board.
- 3.8 Also of key importance is a knowledge of the governance frameworks that apply within the wider pensions industry (such as the Myners principles and the *UK Stewardship Code* (FRC, 2010)); within individual schemes (such as the LGPS governance statement requirements); and within the organisations that administer the schemes (for example *Delivering Good Governance in Local Government: Framework* (CIPFA, 2007)).

PENSIONS ADMINISTRATION

- 3.9 Pensions administration is perhaps the most highly regulated area of the LGPS. Administering scheme benefits, contributions and other transactions is highly complex and is governed by extensive scheme regulations, as well as industry-wide requirements on disclosure, record-keeping, data maintenance, dispute resolution etc.
- 3.10 Understanding these requirements and assisting the administering authority to ensure compliance with the various regulations, standards and codes is a key role of the pensions board, which makes pensions administration a key strand of the knowledge and skills framework.

PENSIONS ACCOUNTING AND AUDITING STANDARDS

- 3.11 The way in which pension schemes are accounted for, both as a scheme and by the sponsoring employer(s), plays a significant part in the knowledge and skills framework. The accounting requirements and associated disclosures are complex and involve a large actuarial element. Consequently this demands an understanding of the regime in order to comply with the requirements and to communicate the requirements and their implications both internally and externally.
- 3.12 In addition, both internal and external auditors play a significant role in assuring that the administering authority complies with statutory requirements. Understanding the scope of their role, and the roles played by providers of third party assurance on outsourced services, is key for local pension board members.

PENSIONS SERVICES PROCUREMENT AND RELATIONSHIP MANAGEMENT

- 3.13** Such are the scale, diversity and technical requirements of pensions operations, the use of outsourcing is commonplace. Whether it is the use of actuaries, fund managers, pensioner payroll providers or third party administrators, the skills and knowledge required to procure and manage outsourced services are central to scheme management in the public sector.
- 3.14** In some instances organisations will have specialist procurement units who will play a large part in the procurement process. In such cases many of the requirements of the framework may be met by virtue of the pension board member having access to external technical expertise. In these circumstances, users of the framework should adapt the level of detail in this skill set accordingly.

INVESTMENT PERFORMANCE AND RISK MANAGEMENT

- 3.15** In the LGPS and other schemes where contributions are invested and managed to meet future liabilities, understanding investment risk and performance constitutes a major element of the role of pension board members.
- 3.16** Administering authorities are aware of the requirement to apply the same rigour to an assessment of their own performance and the performance of those who work on their behalf. Frameworks and targets must be devised and set, and performance monitored against them and reported to stakeholders. Pension board members should be equipped with a sufficient level of knowledge to enable them to assist the administering authority in ensuring that this is done effectively.

FINANCIAL MARKETS AND PRODUCT KNOWLEDGE

- 3.17** In schemes with invested funds, an understanding of financial markets and products is fundamental. The depth of knowledge will depend to some degree upon the particular approach to investment management undertaken by the fund (the investment activities of LGPS funds for example can be split into two groups: those funds that use external managers to manage all of their investment portfolio; and those that undertake some or all of their investment activities using in-house investment managers).

ACTUARIAL METHODS, STANDARDS AND PRACTICES

- 3.18** The scheme actuary holds a key position in the financial management of a pension scheme. Pension board members will need to understand, in some level of detail, the work of the actuary and the way in which actuarial information is produced and the impact it has on both the finances of the scheme and employers.

THE KNOWLEDGE AND SKILLS FRAMEWORK

3.19 In the framework which follows, we have identified the key elements of expertise within each of the above areas of technical knowledge as they apply to pension board members. In addition, Annex D provides an example of how the framework can be used as an assessment tool for individuals.

4. Local Pension Boards: A Technical Knowledge and Skills Framework

Pensions legislation	<p>A general understanding of the pensions legislative framework in the UK.</p> <p>An overall understanding of the legislation and statutory guidance specific to the scheme and the main features relating to benefits, administration and investment.</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>A regularly updated appreciation of the latest changes to the scheme rules.</p>
Pensions governance	<p>Knowledge of the role of the administering authority in relation to the LGPS.</p> <p>An understanding of how the roles and powers of the DCLG, the Pensions Regulator, the Pensions Advisory Service and the Pensions Ombudsman relate to the workings of the scheme.</p> <p>Knowledge of the role of the Scheme Advisory Board and how it interacts with other bodies in the governance structure.</p> <p>Broad understanding of the role of pension fund committees in relation to the fund, administering authority, employing authorities, scheme members and taxpayers.</p> <p>Awareness of the role and statutory responsibilities of the treasurer and monitoring officer.</p> <p>Knowledge of the Myners principles and associated CIPFA and SOLACE guidance.</p> <p>A detailed knowledge of the duties and responsibilities of pension board members.</p> <p>Knowledge of the stakeholders of the pension fund and the nature of their interests.</p> <p>Knowledge of consultation, communication and involvement options relevant to the stakeholders.</p> <p>Knowledge of how pension fund management risk is monitored and managed.</p> <p>Understanding of how conflicts of interest are identified and managed.</p> <p>Understanding of how breaches in law are reported.</p>

<p>Pensions administration</p>	<p>An understanding of best practice in pensions administration, eg performance and cost measures.</p> <p>Understanding of the required and adopted scheme policies and procedures relating to:</p> <ul style="list-style-type: none"> ■ member data maintenance and record-keeping processes ■ internal dispute resolution ■ contributions collection ■ scheme communications and materials. <p>Knowledge of how discretionary powers operate.</p> <p>Knowledge of the pensions administration strategy and delivery (including, where applicable, the use of third party suppliers, their selection, performance management and assurance processes).</p> <p>An understanding of how the pension fund interacts with the taxation system in the UK and overseas in relation to benefits administration.</p> <p>An understanding of what additional voluntary contribution arrangements exist and the principles relating to the operation of those arrangements, the choice of investments to be offered to members, the provider’s investment and fund performance report and the payment schedule for such arrangements.</p>
<p>Pensions accounting and auditing standards</p>	<p>Understanding of the Accounts and Audit Regulations and legislative requirements relating to internal controls and proper accounting practice.</p> <p>Understanding of the role of both internal and external audit in the governance and assurance process.</p> <p>An understanding of the role played by third party assurance providers.</p>
<p>Pensions services procurement and relationship management</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>Understanding 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>An understanding of how the pension fund monitors and manages the performance of their outsourced providers.</p>
<p>Investment performance and risk management</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>Awareness of the Myners principles of performance management and the approach adopted by the administering authority.</p> <p>Awareness of the range of support services, who supplies them and the nature of the performance monitoring regime.</p>

Financial markets and products knowledge	<p>Understanding 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>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 understanding of the limits placed by regulation on the investment activities of local government pension funds.</p> <p>An understanding of how the pension fund interacts with the taxation system in the UK and overseas in relation to investments.</p>
Actuarial methods, standards and practices	<p>A general understanding of the role of the fund actuary.</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>A general understanding of the relevant considerations in relation to outsourcings and bulk transfers.</p> <p>A general understanding of the importance of the employer covenant and the relative strengths of the covenant across the fund employers.</p>

5. Framework Status, Reporting and Compliance

DEVELOPMENT AND MAINTENANCE

- 5.1** This framework has been developed by the CIPFA Pensions Panel with input from technical specialists covering each element of the skills matrix.
- 5.2** As noted in chapter 1, it is the professional responsibility of the section 151 officer (or other named officer as appropriate) to establish and maintain policies and arrangements for acquiring and retaining knowledge and skills to support their pension board members. This professional requirement is in line with the requirement set out in paragraph 38 of the Pensions Regulator’s *Code of Practice No 14*. This framework is set down as good practice, in line with the previous CIPFA *Pensions Finance Knowledge and Skills Frameworks*, and is intended to assist practitioners in meeting their responsibilities under the CIPFA *Code of Practice on Public Sector Pensions Finance Knowledge and Skills* (2013), particularly principle 4.
- 5.3** The Pensions Panel is committed to maintaining and developing the framework as knowledge and skills requirements change over time. Any changes to the framework will go through the same process of expert review and user testing.

REPORTING AND COMPLIANCE

- 5.4** Statement 5 of the “statements to be adopted” in the CIPFA *Code of Practice on Public Sector Pensions Finance Knowledge and Skills* requires funds to report annually in their pension scheme annual reports on:
- how the knowledge and skills framework has been applied
 - what assessment of training needs has been undertaken
 - what training has been delivered against the identified training needs.

- 5.5 CIPFA recognises that in some cases members could be appointed to pension boards with little or no prior pensions knowledge. The chief officers and the chair should bear in mind the legal requirements as set out in the Pensions Regulator’s *Code of Practice No 14*¹⁰ and have in place a plan that includes pre-induction training, leading into a fuller induction programme. These factors should be reflected in the training needs assessment and the delivery of training statement in the annual report.
- 5.6 Again, the CIPFA *Code of Practice on Public Sector Pensions Finance Knowledge and Skills* requirements are aligned with the guidance of the Pensions Regulator, whose *Code of Practice No 14* says this on the subject of demonstrating knowledge and understanding:
- ‘Schemes should keep appropriate records of the learning activities of individual pension board members and the board as a whole. This will help pension board members to demonstrate steps they have taken to comply with legal requirements and how they have mitigated risks associated with knowledge gaps. A good external learning programme will maintain records of the learning activities of individuals on the programme or of group activities, if these have taken place.’*
- 5.7 The Pension Regulator’s policy and approach to compliance is set out in its *Compliance and Enforcement Policy for Public Service Pension Schemes* (2015)¹¹.
- Practitioners should familiarise themselves with this policy statement.

10. Paragraphs 34 to 36 of the Pensions Regulator’s Code of Practice 14 state that:

‘A member of the pension board of a public service pension scheme must be conversant with:

- *the rules of the scheme, and*
- *any document recording policy about the administration of the scheme which is for the time being adopted in relation to the scheme.*

A member of a pension board must have knowledge and understanding of:

- *the law relating to pensions, and*
- *any other matters which are prescribed in regulations.*

The degree of knowledge and understanding required is that appropriate for the purposes of enabling the individual to properly exercise the functions of a member of the pension board.’

11. www.thepensionsregulator.gov.uk/docs/compliance-policy-public-service-pension.pdf

6. Achieving Framework Standards – Training and Support

- 6.1** To achieve the standards set down in the framework, organisations should as a first step consider undertaking a training needs assessment against the framework standards and developing appropriate training programmes.
- 6.2** The varied nature of training and the need to demonstrate continuous improvement in governance, places a high level of priority on forward planning through a business plan and a related training and development plan.
- 6.3** CIPFA working with Barnett Waddingham offer bespoke assessment, training, support and monitoring programmes for local pension boards and their members which are built around the requirements of this framework. This includes the following elements which can be taken as a whole or in part:
- **Assessment and planning**
 - Individual local pension board member knowledge, understanding and skills assessment.
 - Training plan/programme development.
 - **Training**
 - Pre-appointment and induction training.
 - Initial area specific training such as: pensions legislation and guidance; policies, procedures and working arrangements; overriding legislation and interacting statutory organisations; and investments and funding.
 - Ongoing and subject specific training such as regulatory changes and triennial valuations.
 - Annual refresher training and updates.
 - Member requested training.
 - Bespoke and open courses aimed at retention of knowledge and development of best practice.
 - **Support and mentoring**
 - Ongoing local pension board member mentoring, coaching and support.
 - BWebstream document access and storage system.
 - Training and support materials.
 - **Monitoring and reporting**
 - Ongoing individual local pension board member assessment.

- Monitoring local pension board member training and development, attendance and progress, maintaining records and reporting.

6.4 Please contact Annemarie Allen at Barnett Waddingham on 020 7776 3873 or via annemarie.allen@barnett-waddingham.co.uk or Nigel Keogh at CIPFA on 01204 592311 or via nigel.keogh@cipfa.org to discuss your requirements in the first instance.

7. Further Reading and Sources of Guidance

FROM CIPFA

Preparing the Annual Report: Guidance for Local Government Pension Scheme Funds (2014)

The Role of the Chief Financial Officer in the Local Government Pension Scheme (2014)

Code of Practice on Public Sector Pensions Finance Knowledge and Skills (2013)

Principles for Investment Decision Making and Disclosure in the Local Government Pension Scheme in the United Kingdom (2012)

Preparing and Maintaining a Funding Strategy Statement in the Local Government Pension Scheme (2012)

Managing Risk in the Local Government Pension Scheme (2012)

Principles for Investment Decision Making and Disclosure in the Local Government Pension Scheme in the United Kingdom 2012 (2012)

Buying Time: A CIPFA Pensions Panel Guide to Procuring Efficiency in Public Sector Pensions Administration (2011)

CIPFA Pensions Panel Guide to Stock Lending by Local Authority Pension Funds (2011)

CIPFA Pensions Panel Guide to Pension Fund Taxation in the United Kingdom (2011)

Narrative Reporting in Public Sector Pension Schemes (2010)

Delivering Good Governance in Local Government Pension Funds: A Guide to the Application of the CIPFA/SOLACE Code of Corporate Governance in Local Authorities to their Management of LGPS Funds (2009)

Guidance for Chief Finance Officers Administering LGPS Actuarial Valuations (2008)

CIPFA Pensions Panel: Weighing Up Risk Against Reward: An Introductory Guide to Asset-Liability Studies for Local Government Pension Funds (2007)

CIPFA Pensions Panel: Freedom of Information Act – Dealing with Requests for Information Relating to Local Authority Pension Funds (2006)

OTHER SOURCES

Code of Practice No. 14: Governance and Administration of Public Service Pension Schemes (The Pensions Regulator, 2015)

Compliance and Enforcement Policy for Public Service Pension Schemes (The Pensions Regulator, 2015)

The Pensions Regulator also publishes a range of other helpful materials at www.thepensionsregulator.gov.uk/public-service-schemes.aspx

Local Government Pension Scheme (LGPS) – Guidance on the Creation and Operation of Local Pension Boards in England and Wales (Shadow Scheme Advisory Board, 2015)

OTHER TRAINING AND SUPPORT

The CIPFA Pensions Network provides a range of seminars built around the themes in the *Pensions Finance Knowledge and Skills Frameworks*.

The Pensions Regulator also has an online “Public Service toolkit” available at www.thepensionsregulator.gov.uk/public-service-schemes.aspx

Annex A – Knowledge and Skills Responsibilities under the Pensions Regulator Code of Practice No 14

Where do knowledge and understanding responsibilities rest under the Code of Practice No 14?		Nature of requirement
Pension board member	Scheme manager	
Legal requirements		
Must be conversant with:		Statutory
<ul style="list-style-type: none"> ■ the rules of the scheme ■ any document recording policy about the administration of the scheme which is for the time being adopted in relation to the scheme. 		
Must have knowledge and understanding of:		Statutory
<ul style="list-style-type: none"> ■ the law relating to pensions ■ any other matters which are prescribed in regulations. 		
Should ensure that the degree of knowledge and understanding they possess is that appropriate for the purposes of enabling them to properly exercise the functions of a member of the pension board.		Statutory
Practical guidance		
	Should help pension board members meet their legal obligations.	Code of Practice (paragraph 37)
	Should establish and maintain policies and arrangements for acquiring and retaining knowledge and understanding to support their pension board members.	Code of Practice (paragraph 38)

Where do knowledge and understanding responsibilities rest under the Code of Practice No 14? Nature of requirement

Pension board member	Scheme manager	
	Should designate a person to take responsibility for ensuring that a framework for acquiring and retaining knowledge and skills is developed and implemented.	Code of Practice (paragraph 38)

Areas of knowledge and understanding required

	Should prepare and keep an updated list of the documents with which they consider pension board members need to be conversant. This will enable them to effectively carry out their role. They should make sure that both the list and the documents are available in accessible formats.	Code of Practice (paragraph 46)
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Degree of knowledge and understanding required

	Clear guidance on the roles, responsibilities and duties of pension boards and the members of those boards should be set out in scheme documentation.	Code of practice (paragraph 47)
	Should assist individual pension board members to determine the degree of knowledge and understanding that is sufficient for them to effectively carry out their role, responsibilities and duties as a pension board member.	Code of Practice (paragraph 48)

Acquiring, reviewing and updating knowledge and understanding

Should invest sufficient time in their learning and development alongside their other responsibilities and duties.	Should provide pension board members with the relevant training and support that they require.	Code of Practice (paragraph 55)
Newly appointed pension board members should be aware that their responsibilities and duties as a pension board member begin from the date they take up their post.	Should offer pre-appointment training or arrange for mentoring by existing pension board members	Code of Practice (paragraph 56)

Where do knowledge and understanding responsibilities rest under the Code of Practice No 14?		Nature of requirement
Pension board member	Scheme manager	
Should undertake a personal training needs analysis and regularly review their skills, competencies and knowledge to identify gaps or weaknesses.		Code of Practice (paragraph 57)
Should use a personalised training plan to document training needs.		Code of Practice (paragraph 57)
Pension board members who take on new responsibilities will need to ensure that they gain appropriate knowledge and understanding relevant to carrying out those new responsibilities.		Code of Practice (paragraph 58)
	Learning programmes should: <ul style="list-style-type: none"> ■ cover the type and degree of knowledge and understanding required ■ reflect the legal requirements ■ be delivered within an appropriate timescale. 	Code of Practice (paragraph 58)
Demonstrating knowledge and understanding		
	Should keep appropriate records of the learning activities of individual pension board members and the board as a whole.	Code of Practice (paragraph 59)

Annex B – Suggested Job Description and Role Profile for the Chair of a Pensions Board

PURPOSE OF ROLE

To lead the pensions board in assisting the scheme manager in complying with legislation relating to the governance and administration of the scheme and any requirements imposed by the Pensions Regulator in relation to the scheme; and to ensure the effective and efficient governance and administration of the scheme.

PRINCIPAL RESPONSIBILITIES

- Ensure the board delivers its purpose as set out in the board's terms of reference.
- Prepare for and attend the local pension board meetings, agree the meeting agendas and approve the minutes.
- Scrutinise local pension board papers, lead discussions and provide advice and guidance to the board.
- Ensure that meetings are productive and effective and that opportunity is provided for the views of all board members to be expressed and considered.
- Seek to reach consensus and ensure decisions are properly put to a vote.
- Liaise with the scheme manager on the requirements of the board, including training requirements, budgeting and meeting dates, and lead on resolving member performance issues.
- Write reports required by the scheme manager on the performance of the board and related matters.
- Act as the principal point of contact with the Pensions Regulator, the Scheme Advisory Board and the responsible authority (eg DCLG) in all matters related to the operation of the board.

PERSON SPECIFICATION

Requirement	Essential	Desirable
1. Educational		<p>Appropriate financial experience and training.</p> <p>Knowledge of pension funds and schemes.</p> <p>Demonstrable evidence of knowledge kept up-to-date.</p>
2. Work experience	<p>Chairing meetings, achieving effective outcomes.</p> <p>Experience of risk and performance frameworks.</p>	<p>Previously chaired a board or similar.</p>
3. Abilities, intelligence and special aptitudes	<p>Chairing skills.</p> <p>Influencing and consensus building.</p> <p>Listening skills.</p> <p>Able to assimilate complex information.</p>	<p>Mathematical/statistical literacy.</p> <p>Knowledge of public sector and local government finance.</p>
4. Adjustment and social skills	<p>Able to establish good working relationships with board members, councillors, officers and advisors.</p> <p>Able to direct discussions in politically sensitive environments.</p> <p>Able to command respect and demonstrate strong leadership.</p> <p>Able to achieve consensus when conflicting views arise.</p> <p>Able to challenge in a constructive manner.</p> <p>Assertive in pursuing the correct course of action.</p> <p>Able to work effectively with colleagues who may have different levels of experience and understanding.</p>	<p>Diplomacy and tact.</p>
5. Motivation	<p>Enthusiastic, not easily deterred and able to convey enthusiasm to others.</p> <p>Committed to the objectives of the pension scheme and fund(s).</p>	
6. Equal opportunities	<p>Understanding of and commitment to promoting equality of opportunity with an understanding of the pension context.</p>	

Annex C – LGPS Governance Regulations 2014

PART 3

Governance

Delegation

- 105.**—(1) *The Secretary of State may delegate any function under these Regulations.*
- (2) *An administering authority may delegate any function under these Regulations including this power to delegate.*

Local pension boards: establishment

106.—(1) *Each administering authority shall no later than 1st April 2015 establish a pension board (“a local pension board”) responsible for assisting it—*

- (a) *to secure compliance with—*
- (i) *these Regulations,*
 - (ii) *any other legislation relating to the governance and administration of the Scheme and any connected scheme^(a), and*
 - (iii) *any requirements imposed by the Pensions Regulator in relation to the Scheme and any connected scheme; and*
- (b) *to ensure the effective and efficient governance and administration of the Scheme and any connected scheme.*
- (2) *Where the Scheme manager is a committee of a local authority the local pension board may be the same committee if approval in writing has been obtained from the Secretary of State.*
- (3) *Where the administration and management of a Scheme is wholly or mainly shared by two or more administering authorities, those administering authorities may establish a joint local pension board if approval in writing has been obtained from the Secretary of State.*
- (4) *Approval under paragraphs (2) or (3) may be given subject to such conditions as the Secretary of State thinks fit.*
- (5) *The Secretary of State may withdraw an approval if any conditions under paragraph (4) are not met or if in the opinion of the Secretary of State it is no longer appropriate for the approval to continue.*

(a) See section 4(6) of the Public Service Pensions Act 2013 for the definition of connected scheme.

- (6) Subject to paragraph (7), an administering authority may determine the procedures applicable to a local pension board, including as to the establishment of sub-committees, formation of joint committees and payment of expenses.
- (7) Except where a local pension board is a committee approved under paragraph (2), no member of a local pension board shall have a right to vote on any question unless that member is an employer representative or a member representative^(b).
- (8) A local pension board shall have the power to do anything which is calculated to facilitate, or is conducive or incidental to, the discharge of any of its functions.
- (9) The expenses of a local pension board are to be regarded as part of the costs of administration of the fund held by the administering authority.

Local pension boards: membership

- 107.**—(1) Subject to this regulation each administering authority shall determine—
- (a) the membership of the local pension board;
 - (b) the manner in which members of the local pension board may be appointed and removed;
 - (c) the terms of appointment of members of the local pension board.
- (2) An administering authority must appoint to the local pension board an equal number, which is no less than 4 in total, of employer representatives and member representatives and for these purposes the administering authority must be satisfied that—
- (a) a person to be appointed to the local pension board as an employer representative has the capacity to represent employers; and
 - (b) a person to be appointed to the local pension board as a member representative has the capacity to represent members.
- (3) Except where a local pension board is a committee approved under regulation 106(2) (committee that is a Scheme manager is also local pension board)—
- (a) no officer or elected member of an administering authority who is responsible for the discharge of any function under these Regulations (apart from any function relating to local pension boards or the Local Government Pension Scheme Advisory Board) may be a member of the local pension board of that authority; and
 - (b) any elected member of the administering authority who is a member of the local pension board must be appointed as either an employer representative or a member representative.
- (4) Where a local pension board is a committee approved under regulation 106(2) (committee that is a Scheme manager is also local pension board) the administering authority must designate an equal number which is no less than 4 in total of the members of that committee as employer representatives and member representatives and for these purposes the administering authority must be satisfied that—
- (a) a person to be designated as an employer representative has the capacity to represent employers; and

(b) See section 5(6) of the Public Service Pensions Act 2013 for definitions of these terms.

- (b) *a person to be designated as a member representative has the capacity to represent members.*

Local pension boards: conflict of interest

- 108.**—(1) *Each administering authority must be satisfied that any person to be appointed as a member of a local pension board does not have a conflict of interest^(a).*
- (2) *An administering authority must be satisfied from time to time that none of the members of a local pension board has a conflict of interest.*
- (3) *A person who is to be appointed as a member of a local pension board by an administering authority must provide that authority with such information as the authority reasonably requires for the purposes of paragraph (1).*
- (4) *A person who is a member of a local pension board must provide the administering authority which made the appointment with such information as that authority reasonably requires for the purposes of paragraph (2).*

Local pension boards: guidance

109. *An administering authority must have regard to guidance issued by the Secretary of State in relation to local pension boards.*

Source: The Local Government Pension Scheme (Amendment) (Governance) Regulations 2015

(a) *See section 5(5) of the Public Service Pensions Act 2013 for the meaning of “conflict of interest”.*

Annex D – Example of Competency Self-assessment Matrix

Local Pension Boards: A Technical Knowledge and Skills Framework: Learning needs analysis and training requirements

Learning needs analysis		Training requirements and plan	
Do I possess...?	Rate my skills	Training requirements	Training plan (sources and timing)
	1 – no knowledge 5 – highly skilled		
1 – Pensions legislation			
A general understanding of the pensions legislative framework in the UK.	1 2 3 4 5		
An overall understanding of the legislation and statutory guidance specific to the scheme and the main features relating to benefits, administration and investment.	1 2 3 4 5		
An appreciation of LGPS discretions and how the formulation of the discretionary policies impacts on the pension fund, employers and local taxpayers.	1 2 3 4 5		
A regularly updated appreciation of the latest changes to the scheme rules.	1 2 3 4 5		
2 – Pensions governance			
Knowledge of the role of the administering authority in relation to the LGPS.	1 2 3 4 5		
An understanding of how the roles and powers of the DCLG, the Pensions Regulator, the Pensions Advisory Service and the Pensions Ombudsman relate to the workings of the scheme.	1 2 3 4 5		

Learning needs analysis		
Do I possess...?	Rate my skills 1 – no knowledge 5 – highly skilled	Training requirements and plan Training requirements Training plan (sources and timing)
Knowledge of the role of the Scheme Advisory Board and how it interacts with other bodies in the governance structure.	1 2 3 4 5	
A broad understanding of the role of pension fund committees in relation to the fund, the administering authority, employing authorities, scheme members and taxpayers.	1 2 3 4 5	
An awareness of the role and statutory responsibilities of the treasurer and monitoring officer.	1 2 3 4 5	
Knowledge of the Myrers principles and associated CIPFA and SOLACE guidance.	1 2 3 4 5	
A detailed knowledge of the duties and responsibilities of pension board members.	1 2 3 4 5	
Knowledge of the stakeholders of the pension fund and the nature of their interests.	1 2 3 4 5	
Knowledge of consultation, communication and involvement options relevant to the stakeholders.	1 2 3 4 5	
Knowledge of how pension fund management risk is monitored and managed.	1 2 3 4 5	
An understanding of how conflicts of interest are identified and managed.	1 2 3 4 5	
An understanding of how breaches in law are reported.	1 2 3 4 5	

Learning needs analysis	Training requirements and plan
Do I possess...?	Training requirements and plan (sources and timing)
Rate my skills	Training requirements
1 – no knowledge 5 – highly skilled	
3 – Pensions administration	
An understanding of best practice in pensions administration eg performance and cost measures.	1 2 3 4 5
Understanding of the required and adopted scheme policies and procedures relating to:	1 2 3 4 5
<ul style="list-style-type: none"> ■ member data maintenance and record-keeping processes 	
<ul style="list-style-type: none"> ■ internal dispute resolution 	
<ul style="list-style-type: none"> ■ contributions collection 	
<ul style="list-style-type: none"> ■ scheme communication and materials. 	
Knowledge of how discretionary powers operate.	1 2 3 4 5
Knowledge of the pensions administration strategy and delivery (including, where applicable, the use of third party suppliers, their selection, performance management and assurance processes).	1 2 3 4 5
An understanding of how the pension fund interacts with the taxation system in the UK and overseas in relation to benefits administration.	1 2 3 4 5

Learning needs analysis	Training requirements and plan	
Do I possess...?	Rate my skills	Training plan (sources and timing)
	1 – no knowledge 5 – highly skilled	
<p>An understanding of what AVC arrangements exist and the principles relating to the operation of those arrangements, the choice of investments to be offered to members, the provider's investment and fund performance report and the payment schedule for such arrangements.</p>	1 2 3 4 5	
4 – Pensions accounting and auditing standards		
<p>An understanding of the Accounts and Audit Regulations and legislative requirements relating to internal controls and proper accounting practice.</p>	1 2 3 4 5	
<p>An understanding of the role of both internal and external audit in the governance and assurance process.</p>	1 2 3 4 5	
<p>An understanding of the role played by third party assurance providers.</p>	1 2 3 4 5	
5 – Pensions services procurement and relationship management		
<p>An 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>	1 2 3 4 5	

Learning needs analysis	Training requirements and plan	
Do I possess...?	Rate my skills	Training plan (sources and timing)
<p>1 – no knowledge 5 – highly skilled</p> <p>A general understanding of the main public procurement requirements of UK and EU legislation.</p>	<p>1 2 3 4 5</p>	
<p>An understanding 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>1 2 3 4 5</p>	
<p>An understanding of how the pension fund monitors and manages the performance of their outsourced providers.</p>	<p>1 2 3 4 5</p>	
<p>Page 6 – Investment performance and risk management</p>		
<p>An 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>1 2 3 4 5</p>	
<p>An awareness of the Myners principles of performance management and the approach adopted by the administering authority.</p>	<p>1 2 3 4 5</p>	
<p>Awareness of the range of support services, who supplies them and the nature of the performance monitoring regime.</p>	<p>1 2 3 4 5</p>	

Learning needs analysis		Training requirements and plan	
Do I possess...?	Rate my skills	Training requirements	Training plan (sources and timing)
	1 – no knowledge 5 – highly skilled		
7 – Financial markets and products knowledge			
An understanding of the risk and return characteristics of the main asset classes (equities, bonds, property etc).	1 2 3 4 5		
An understanding of the role of these asset classes in long-term pension fund investing.	1 2 3 4 5		
An understanding of the primary importance of the fund's statement of investment principles and the investment strategy decision.	1 2 3 4 5		
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.	1 2 3 4 5		
An understanding of the limits placed by regulation on the investment activities of local government pension funds.	1 2 3 4 5		
An understanding of how the pension fund interacts with the taxation system in the UK and overseas in relation to investments.	1 2 3 4 5		

Learning needs analysis	Training requirements and plan	
Do I possess...?	Rate my skills	Training requirements Training plan (sources and timing)
8 – Actuarial methods, standards and practices	1 – no knowledge 5 – highly skilled	
A general understanding of the role of the fund actuary.	1 2 3 4 5	
Knowledge of the valuation process, including developing the funding strategy in conjunction with the fund actuary, and inter-valuation monitoring.	1 2 3 4 5	
An awareness of the importance of monitoring early and ill health retirement strain costs.	1 2 3 4 5	
A broad understanding of the implications of including new employers into the fund and of the cessation of existing employers.	1 2 3 4 5	
A general understanding of the relevant considerations in relation to outsourcing and bulk transfers.	1 2 3 4 5	
A general understanding of the importance of the employer covenant and the relative strengths of the covenant across the fund employers.	1 2 3 4 5	



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