

Croydon Council

REPORT TO:	Pension Committee 12 March 2019
SUBJECT:	Training Support for Pensions Committee
LEAD OFFICER:	Nigel Cook Head of Pensions and Treasury
CABINET MEMBER	Councillor Simon Hall Cabinet Member for Finance and Resources
WARDS:	All
CORPORATE PRIORITY/POLICY CONTEXT: Sound Financial Management: Ensuring that the pension fund is being given appropriate support and training through the governance of the Pension Committee.	
FINANCIAL SUMMARY: There are no direct financial consequences to this report. However the implications of decisions taken by this Committee can be significant for the Revenue Account of the Council.	

1. RECOMMENDATIONS

- 1.1 That the Committee note the requirement of the guidance for key skills for successful public sector scheme administration.
- 1.2 That the Committee note the channels for accessing training; and
- 1.3 That the Committee make any recommendation as to additional training requirements.

2. EXECUTIVE SUMMARY

- 2.1 This reports sets out a model for Skills and Knowledge requirements for members of the Pensions Committee. Current training opportunities are set out and the Committee is invited to make suggestions as to additional training requirements.

3 DETAIL

- 3.1 The Pension Committee's forward business plan has it that the Committee periodically review its effectiveness in providing guidance on the administration of the Local Government Pension Scheme. The structure of the scheme has undergone significant changes with the introduction of the 2013 scheme. The membership of the Committee has also changed, which is also a significant factor.

For these reasons, as well as to provide an option for the Committee to refresh its understanding of the Scheme, this report reviews the current training opportunities for the Committee.

3.2 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. 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; and
- actuarial methods, standards and practices.

3.3 CIPFA's Knowledge and Skills Framework identifies the key elements of expertise within each of the above areas of technical knowledge as they apply to pension board members. Although the hurdle set for the Pensions Committee is lower, the Framework does provide a useful benchmark. These areas are detailed here.

3.3.1 Pensions legislation

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

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

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.

3.3.2 Pensions governance

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

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.

Knowledge of the role of the Scheme Advisory Board and how it interacts with other bodies in the governance structure.

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.

Knowledge of the Myners principles and associated CIPFA and SOLACE guidance.

A detailed knowledge of the duties and responsibilities of pension board 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.

Knowledge of how pension fund management risk is monitored and managed.

Understanding of how conflicts of interest are identified and managed.

Understanding of how breaches in law are reported.

3.3.3 Pensions Administration

An understanding of best practice in pensions administration, e.g. performance and cost measures.

Understanding of the required and adopted scheme policies and procedures relating to:

- member data maintenance and record-keeping processes
- internal dispute resolution
- contributions collection
- scheme communications and materials.

Knowledge of how discretionary powers operate.

Knowledge of the pensions administration strategy and delivery (including, where applicable, the use of third party suppliers, their selection, performance management and assurance processes).

An understanding of how the pension fund interacts with the taxation system in the UK and overseas in relation to benefits administration.

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.

3.3.4 Pensions accounting and auditing standards

Understanding of the Accounts and Audit Regulations and legislative requirements relating to internal controls and proper accounting practice.

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

An understanding of the role played by third party assurance providers.

3.3.5 Pensions services procurement and relationship management

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.

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

An understanding of how the pension fund monitors and manages the performance of their outsourced providers.

3.3.6 Investment performance and risk management

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

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

Awareness of the range of support services, who supplies them and the nature of

the performance monitoring regime.

3.3.7 Financial markets and products knowledge

Understanding 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.

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

An understanding of how the pension fund interacts with the taxation system in the UK and overseas in relation to investments.

3.3.8 Actuarial methods, standards and practices

A general understanding of the role of the fund actuary.

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

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

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

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

A general understanding of the importance of the employer covenant and the relative strengths of the covenant across the fund employers.

- 3.4 New members of the Committee are invited to attend a three-day course, provided by the Local Government Employers organisation and this course is designed to cover these topics.
- 3.5 The programme of visits to fund managers, augmented by presentations to this Committee and specific reporting from the Scheme's independent investment advisor, aims to ensure that the Committee are well informed about the funds and investments that comprise the Pension Fund portfolio.
- 3.6 Furthermore the independent investment advisor provides updates on a range of topical subjects, such as currency hedging, as well as relevant macro-economic and market analysis. This should be augmented by support from the London CIV.
- 3.7 The Scheme Actuary provides support, training and information about the actuarial process. This is particularly relevant during the triennial valuation process.
- 3.8 The Pensions Committee is invited to consider the various options detailed above and in particular whether this provision is sufficient for Committee members to satisfy themselves that they are able to meet the Knowledge and Skills requirement. The Committee is further asked for suggestions as to any additional training required, such as a session on ESG issues, and to express any preferences as to how this should be delivered.

4 FINANCIAL CONSIDERATIONS

- 4.1 There are no further financial considerations flowing from this report.

5. OTHER CONSIDERATIONS

- 5.1 Other than the considerations referred to above, there are no customer Focus, Equalities, Environment and Design, Crime and Disorder or Human Rights considerations arising from this report

6. LEGAL CONSIDERATIONS

- 6.1 The Head of Litigation and Corporate Law comments that no additional legal considerations arise from this report.

(Approved by Sandra Herbert, Head of Litigation and Corporate Law on behalf of the Director of Law and Governance & Deputy Monitoring Officer)

Approved by:

CONTACT OFFICER:

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BACKGROUND DOCUMENTS: