

Croydon Council

REPORT TO:	Local Pension Board 29 March 2018
SUBJECT:	Review of Compliance with CIPFA Technical Knowledge and Skills Framework
LEAD OFFICER:	Nigel Cook, Head of Pensions and Treasury
CORPORATE PRIORITY/POLICY CONTEXT: Sound Financial Management: The Framework is intended to further promote good governance in public service pension schemes' pension boards. 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 2014, as amended by the Public Service Pensions Act 2013.	
FINANCIAL SUMMARY: Poor decision making will have an adverse impact on the performance of the Pension Fund and the administration of the local government pension scheme. This may result in financial penalties or otherwise impact on the finances of the Council.	
FORWARD PLAN KEY DECISION REFERENCE NO.: N/A	

1 RECOMMENDATIONS

- 1.1 The Board is asked to note the contents of this report.

2 EXECUTIVE SUMMARY

- 2.1 This report sets out the requirement for knowledge and skills on members of the Pension Board.

3 DETAIL

- 3.1 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. Under Regulation 5 of the Public Service Pensions Act 2013, the responsible authority for each public service pension scheme established under the 2013 Act is required to make provision in scheme regulations that requires each pension scheme manager 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.

As required under these regulations the Department for Communities and Local Government amended the Local Government Pension Scheme Regulations 2013 on 28 January 2015, setting out the arrangements for establishing pension boards in the LGPS.

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.

3.5 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. These are detailed here.

3.5.1 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.

3.5.2 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.

3.5.3 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.

3.5.4 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.

3.5.5 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.

3.5.6 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.

3.5.7 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.

3.5.8 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.

3.6 It is the professional responsibility of the section 151 officer to establish and maintain policies and arrangements for acquiring and retaining knowledge and skills to support their pension board members. The reporting framework 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.

4 CONSULTATION

4.1 Officers have fully consulted with the Pension Fund's advisers in preparing this report.

5 FINANCIAL CONSIDERATIONS

5.1 There are no specific financial implications associated with this report.

7 FREEDOM OF INFORMATION/DATA PROTECTION CONSIDERATIONS

7.1 This report does not contain any information which will not be made publically available by being published on the Council's Pension Fund website.

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