

Pension Fund Committee

Meeting to be held on 7 June 2013

Electoral Division affected: 'All'

Knowledge and Skills Framework

(Appendices 'A' and 'B' refer)

Contact for further information:

Gill Kilpatrick, (01772) 534715, County Treasurer's Directorate

Gill.kilpatrick@lancashire.gov.uk

Executive Summary

The Chartered Institute of Public Finance and Accountancy (CIPFA) published its code of Practice on public sector pensions finance knowledge and skills in October 2011. The Code has been devised in response to Lord Hutton's recommendation that every public sector pension scheme (and individual LGPS fund) should have a properly constituted, trained and competent "Pensions Board". It also represents a key element in complying with the relevant principle of investment practice laid out in Local Government Pension Scheme (Management and Investment of funds) regulations 2009 regarding Effective Decision making.

The Code is intended to be used in conjunction with the CIPFA Pension Finance Knowledge and Skills Frameworks which enhances where necessary, levels of knowledge and skill held by all those involved in the management and oversight of public sector pension funds.

The Code became effective from 1 April 2012 and is mandatory for CIPFA members as part of their standards of professional practice, and was adopted by the Pension Fund Committee at its meeting on 3 February 2012 in order to ensure good governance and training practices, and to support the Treasurer who, as a CIPFA member, has a professional requirement to comply with the Code.

The full Code of Practice is attached in Appendix 'A'.

Members and officers of the Fund already possess some of the required skills set out in the Skills and Knowledge frameworks; however there may be some areas where knowledge may need supplementing or strengthening. It is important that these areas are identified and the appropriate training is undertaken, not only to demonstrate compliance with the CIPFA Code of Practice but also to ensure members are properly supported in their role. This is particularly important and timely, following the reconstitution of the Committee after the County Council elections in May 2013.

The Council currently subscribes to a web-based knowledge and skills self assessment tool, developed by Hymans Robertson in conjunction with the CIPFA Pensions Network, to enable officers and elected members to help identify these gaps. A copy of the Training Needs Analysis (TNA) for Elected Members is attached as Appendix B. A separate TNA exists for pensions practitioners. It is recommended that officers and members use the toolkit to identify knowledge gaps. This process has begun for officers and needs to be fully completed for all relevant officers and members, and once completed, a training programme for both members and officers will be developed, incorporating the training materials available in the toolkit, relevant seminars, conferences and internal training days. This training programme will be devised to ensure compliance with the Code of Practice and to minimise the call on members' time.

Recommendations

The Committee is asked to agree:

- a) the proposed approach to establishing an appropriate training programme to meet its commitments under the Knowledge and Skills Framework as part of the Policy Framework of the Lancashire County Pension Fund. This is to ensure good governance and in support of the Treasurer to the Pension Fund who as a CIPFA member has a professional requirement to comply with CIPFA Code of Practice.
- b) as part of this, that work continues using appropriate tools, to identify areas where the knowledge and skills of both officers and members require strengthening, and that following this, a programme of activity to address any identified development areas be developed and undertaken.

Background and Advice

CIPFA published its code of Practice on public sector pensions finance knowledge and skills in October 2011, coming into effect from 1 April 2012.

The Code of Practice was devised in response to Lord Hutton's recommendation that every public sector pension scheme (and individual LGPS fund) should have a properly constituted, trained and competent "Pensions Board".

The code also represents a key element in complying with the relevant principle of investment practice regarding Effective Decision making. This principle requires LGPS funds to ensure that:

Decisions are taken by persons or organisations with the skills, knowledge, advice and necessary recourses to make them effectively and monitor their implementation, and those persons or organisations have sufficient expertise to be able to evaluate and challenge the advice they receive, and manage conflicts of interest. The Code of Practice is underpinned by four key principles:

1. Organisations responsible for the financial administration of public sector pension schemes recognise that effective financial management, decision making and other aspect 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 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 and decision making.
3. The associated policies and practices are guided by reference to a comprehensive framework of knowledge and skills requirements set down in the CIPFA Pensions Finance Knowledge and Skills Frameworks.
4. The organisation has designated a named individual to be responsible for ensuring that the policies are implemented.

CIPFA recommend that that all organisations responsible for the financial management of public sector pension schemes adopt, as part of their standing orders, financial regulations and other policy documents the following statements:

1. This organisation adopts the key recommendations of *the Code of Practice on Public Sector Finance Knowledge and Skills*.
2. This organisation recognises that effective financial administration and decision making can only be achieved where those involved have the requisite knowledge and skills.
3. Accordingly this organisation will ensue that it has formal and comprehensive objectives, policies and practices, strategies and reporting arrangements for the effective acquisition and retention of the relevant public sector pension scheme finance knowledge and skills for those in the organisation responsible for financial administration and decision making.
4. These policies and practices will be guided by reference to a comprehensive framework of knowledge and skills requirements as set down in the CIPFA Pensions Finance Knowledge and Skills frameworks.
5. This organisation will report on an annual basis how these policies have been put into practice throughout the financial year.
6. This organisation has delegated the responsibility for the implementation of the requirements of the CIPFA Code of Practice to the County Treasurer who will act in accordance with the organisation's policy statement, and, where he/she is a CIPFA member with *CIPFA Standards of Professional Practice*.

The full Code of Practice is attached in Appendix A.

The Code is intended to be used in conjunction with the *Pensions Finance Knowledge and skills Framework – Technical Guidance for Elected Representatives and Non-executive members in the Public Sector* and the *Pensions Finance Knowledge and skills Framework – Technical Guidance for Pension Practitioners in the Public Sector*.

The framework was launched in January 2010 and it identified the following six areas of core technical requirements for both officers and members:

- Pensions legislation and governance context;
- 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 practices.

The frameworks are intended to have two primary uses, as a tool for organisations to determine whether that the right skill mix to meet their pension scheme financial management needs and as an assessment tool for individuals to measure their progress and plan their development.

Members and officers of the Fund already possess some of the required skills set out in the frameworks; however there may be some areas where knowledge and skills could be strengthened. A knowledge and skills self assessment tool has been developed by Hymans Robertson in conjunction with the CIPFA Pensions Network to enable officers and members to identify such areas. Full details of the self assessment tool and the associated knowledge library are set out in Appendix B.

It is recommended that officers and members use the toolkit to identify knowledge gaps. It is intended that the process will run as follows:

- June 2013 – access to the web-based training tool is provided to relevant officers and members for them to engage with the training materials;
- July 2013 – training needs assessment submitted to and returned from officers and members;
- August 2013 – analysis of potential training needs and development identified.

Once this is completed a training programme for both members and officers will be developed, incorporating the training materials available in the toolkit, relevant seminars, conferences and internal training days. This training programme will be devised to ensure compliance with the Code of Practice.

Consultations

N/A

Implications:

This item has the following implications, as indicated:

Risk management

Without the required knowledge and skills, those charged with governance and decision-making within the Pension Fund may be ill-equipped to make informed decisions regarding the direction and operation of it.

Local Government (Access to Information) Act 1985

List of Background Papers

Paper	Date	Contact/Directorate/Tel
Pensions Finance Knowledge and Skills Framework – Technical Guidance for Elected Representatives and Non-Executive members in the Public Sector (CIPFA)	2010	Andrew Fox/ County Treasurer's Directorate/ 01772 535916
Pensions Finance Knowledge and Skills Framework – Technical Guidance for Pension Practitioners in the Public Sector(CIPFA)		
Investment Decision Making and Disclosure in the Local Government Pension Scheme: A Guide to the Application of the Myners Principles (CIPFA)		
Local Government Pension Scheme (Management and Investment of funds) regulations 2009	2009	