



Training Needs Analysis

for Elected Representatives and Non-executives in the Public Sector

General introduction

Public sector pension schemes, and the cost of providing them, have become headline news. It doesn't seem that a day goes by without some story or another on public sector pensions being in the national press.

At the same time governance of pension schemes in general, including public sector pension schemes like the LGPS, has become more important. Many would suggest that the legislative burden on pension schemes, and the level of scrutiny they face, has increased significantly 'over the past few years. The skills and knowledge requirements of elected members and practitioners dealing with the LGPS have increased dramatically.

Private sector schemes have been faced with greater external influence, with the requirement for trustees to undergo skills assessments and, where skills or knowledge gaps are identified, training. Given the public spotlight on public sector schemes the need for similar disciplines in schemes such as the LGPS has been identified. CIPFA have developed a knowledge and skills framework setting out the requirements for both elected members and practitioners who have an involvement in the LGPS. This training needs analysis has been designed to help you measure your own knowledge and understanding against the CIPFA expectations.

Name: _____

Pension Fund: _____

Role: _____

1. Pensions legislative and governance context

The occupational pensions landscape is complex. Legislation has built up over many years, particularly so since the Maxwell affair of the 1990s, since when governance and transparency have become ever more sharply in focus. This means that all those with an involvement in managing and administering pension schemes have to navigate very complex rules and this is no different for those involved with the LGPS.

The questions set out in this section aim to measure your knowledge against the core knowledge requirements you are required to have in undertaking your role in relation to the LGPS.

1.1 General pensions framework

1.1.1

tick one box

The LGPS is a 'registered pension scheme' for the purposes of which Act?

- A. Pensions Act 1995;
- B. Finance Act 2004;
- C. Pension Schemes Act 1993;
- D. Superannuation Act 1972.

1.1.2

tick all that apply

In which of the following ways is the LGPS impacted by overriding pensions legislation?

- A. Tax relief on pension contributions;
- B The reference scheme test;
- C. Disclosure of information requirements;
- D. Reduced national insurance contributions;
- E. None.

1.2 Scheme specific legislation

1.2.1

What are the three key sets of Regulations which provide the legislative framework providing the benefit and administrative structure of the LGPS?



1.2.2

tick one box

Which one of the following is not being introduced as a result of changes to the LGPS from April 2014?

- A. Change to benefit structure
- B. Change to the investment rules
- C. Introduction of a cost control mechanism
- D. Changes to the scheme's governance arrangements

1.2.3

There are three types of employer that can participate in the LGPS. What are they, and give an example of each type?

1.2.4

tick all that apply

Which of the following is a role of an administering authority?

- A. Maintain and administer the local LGPS Pension Fund;
- B. Appoint investment managers;
- C. Deciding entitlement to a particular retirement benefit;
- D. Pay pension benefits to members and their survivors;
- E. Deduction of employee and employer contributions.

1.2.5

How are employer contribution rates determined?



1.2.6

tick all that apply

Which of the following are ways in which LGPS benefits can become payable?

- A. Age retirement;
- B. Voluntary early retirement (without early retirement reduction i.e. waived on compassionate grounds);
- C. Voluntary early retirement (with early retirement reduction);
- D. Ill health certified by the members medical consultant;
- E. Flexible retirement (with or without early retirement reduction - employer may waive it);
- F. Late retirement;
- G. All.

1.2.7

tick one box

Early retirement can place a 'strain' on the pension fund. Which of the following approaches does the Audit Commission advocate is used by the administering authority in order that scheme employers plug any such funding strain?

- A. The employer makes capital payments into the LGPS over a fixed period;
- B. Wait until the next funding valuation exercise.

1.2.8

tick one box

Effective from 2011, how and when will LGPS benefits increase?

- A. Retail prices index on the first monday on or after 1 January;
- B. Retail prices index on the first monday on or after 6 April;
- C. Consumer prices index on the first monday on or after 1 January;
- D. Consumer prices index on the first monday on or after 6 April.



1.2.9

tick all that apply

Which organisations from the following list provide specific support to LGPS practitioners, pension committees and managers?

- A. Communities & Local Government (CLG);
- B. Local Government Employers (LGE);
- C. The Pensions Regulator;
- D. Home Office;
- E. CIPFA;
- F. Treasury.

Advanced

1.2.10

tick one box

Under which Act is legislation regulating the LGPS

- A. Pensions Act 1995;
- B. Finance Act 2004;
- C. Pension Schemes Act 1993;
- D. Superannuation Act 1972;

1.2.11

tick one box

What are the minimum and maximum age requirements for entry into the LGPS?

- A. 16 and 65;
- B. No minimum age and 65;
- C. No minimum age and 75;
- D. 18 and 75;
- E. 16 and 75.



1.2.12

tick all that apply

Which of the following are NOT considered as pensionable payments?

- A. Non-contractual overtime;
- B. Salary/wages;
- C. Pay in lieu of holidays;
- D. Pay in lieu of notice;
- E. Fees;
- F. Contractual overtime.

1.2.13

tick all that apply

Which of the following is the normal retirement age (NRA) in the LGPS?

- A. 55;
- B. 60;
- C. 65;
- D. 68.

1.2.14

tick all that apply

Which of the following options are available to a scheme member with at least 3 months' membership in the LGPS and who leaves voluntarily before becoming entitled to the immediate payment of benefits?

- A. Benefits deferred in the LGPS;
- B. Option to transfer LGPS rights to another pension scheme;
- C. Refund of contributions paid.



1.2.15

tick all that apply

Which of the following survivors will automatically become entitled to a benefit on the death of a scheme member/pensioner?

- A. Civil Partner;
- B. Child;
- C. Spouse;
- D. Co-habiting partner.



1.3 Pensions regulators and advisors

1.3.1

tick one box

Which statement describes the role of the Pensions Regulator in relation to the new LGPS arrangements being introduced from April 2015?

- A. Providing assistance to scheme members on the resolution of pension disputes
- B. Responsible for scrutinising the funding position of individual LGPS funds
- C. Overseeing the governance and administration of individual LGPS funds
- D. Recommending changes to the Regulations that govern the LGPS

1.3.2

tick all that apply

Which of the following is the role of the pension fund committee/pension panel?

- A. Appointment of investment managers;
- B. Signing off the triennial funding valuation;
- C. Agreeing to early retirement decisions relating to senior officers;
- D. Setting overall funding objectives.

1.3.3

tick all that apply

What is the role of the administering authority's chief finance officer (section 151 officer) in relation to the LGPS?

- A. Ensuring there is an effective system of internal financial control
- B. Being the "specified" person for the purposes of the formal dispute procedure
- C. Providing expert advice
- D. Ensuring that financial management arrangements are sound and effective.
- E. Ensuring there is an effective internal audit function and assisting management in providing effective arrangements for financial scrutiny.
- F. Confirming early retirement decisions
- G. Advising on anti-fraud and anti-corruption strategies and measures.



Advanced

1.3.4

tick one box

What vehicle is available via the LGPS to enable scheme members and their personal representative to have their issues considered?

- A. Financial Services Authority (FSA);
- B. Internal dispute resolution procedure;
- C. Members' Trade Union.

1.3.5

tick all that apply

Which Government department is currently responsible for overseeing the LGPS?

- A. Home Office;
- B. Communities and Local Government;
- C. Department for Work and Pensions;
- D. Office of the Deputy Prime Minister.

1.3.6

tick all that apply

Indicate which matters the elected members/trustees at a scheme employer would need to consider in relation to the LGPS?

- A. Contribution rates for members;
- B. Setting discretionary policies;
- C. Budgetary implications of employer contributions;
- D. Maximum retirement age;
- E. Early retirement decisions.



1.4 Pension scheme governance

1.4.1

tick all that apply

What is the role of the Council's Executive in the running of the pension fund?

- A. Sets investment strategy;
- B. Monitors funding levels;
- C. Administers scheme members records;
- D. None.

1.4.2

What is the prime responsibility of your Pension Committee?

1.4.3

tick all that apply

Which of the following activities might you expect specialist committees to the Pension Fund Committee/Pension Panel to be considering?

- A. Liaison with employers;
- B. Manager selection;
- C. Liaison with employee representatives;
- D. Ensure good governance within decision making;
- E. Provide expert advice on specific issues;
- F. Agree the investment strategy of the pension fund;
- G. Sign off the formal funding valuation.



1.4.4

What are the 6 Myners principles which are accepted as best practice in the way pension schemes should be run in relation to investment?

1.4.5

What is the title of the CIPFA guidance that LGPS Funds should follow when considering the revised Myners principles?

1.4.6

What is the guidance that funds should consider when looking at the Fund's governance arrangements?



1.4.7

tick one box

Which of the following does not describe the role of the proposed National Scheme Advisory Board?

- A. Securing individual Fund compliance with scheme Regulations
- B. Securing compliance with requirements imposed by the Pensions Regulator
- C. Providing advice to CLG on the desirability of changes to the scheme
- D. Reviewing individual Funds' investment strategies.

1.4.8

tick all that apply

Which of the following issues should the Pension Fund Committee/ Pension Panel consider as part of its role:

- A. Governance;
- B. Funding;
- C. Investments;
- D. Communication;
- E. Administration;
- F. Compliance.

1.4.9

tick one box

What change is expected to be required to be made to local LGPS Fund governance arrangements as a result of changes being made to the LGPS?

- A. Increased frequency of meetings
- B. Requirement for increased scheme member and employer representation
- C. Ability to increase employee contributions
- D. No change



1.4.10

tick one box

What action can LGPS Funds be doing now to prepare for changes to the governance arrangements expected from April 2015?

- A. Increased frequency of meetings
- B. Conduct a review of current arrangements, to understand the gaps and actions required
- C. Review the fund's investment strategy
- D. Do nothing, it's too early

Advanced

1.4.11

tick all that apply

How many of the following statements do you believe describe an elected member's responsibility with regard to funding:

- A. Maintaining a stable and affordable employer contribution as a percentage of staff salaries;
- B. Ensuring that on balance employers only pay toward liabilities attributed to them;
- C. Monitoring changes in demographics at the whole fund, and employer, level;
- D. Monitoring manager performance;
- E. Signing off the formal valuation.

1.4.12

tick all that apply

Which of the following are stakeholders in the LGPS:

- A. Scheme members;
- B. Elected members;
- C. Personal representatives;
- D. Unions;
- E. Local tax payers;
- F. Local businesses;
- G. Local authority employers;
- H. Charities;
- I. Local authority contractors.



1.4.13

tick all that apply

From the following list choose which forms of communication might be used in consulting on changes to the LGPS with each of the stakeholders above (where relevant):

A. Statutory consultation;

B. Newsletters;

C. Roadshows;

D. Forum/meetings;

E. Posters;

F. Website.

1.4.14

tick all that apply

Which of the following describe methods by which stakeholders can put their views to the Pension Panel or Committee?

A. Attendance for discussion on public items;

B. Contacting their local councillor;

C. Contacting the Chair of the Committee or Panel;

D. Participation in the Committee or Panel;

E. Through the member representative.



1.5 Your scheme

1.5.1

What are your Fund's objectives (or goals/mission)?

1.5.2

What tasks are on your Fund's business plan for this financial year?

1.5.3

What are your Fund's greatest risks at the moment?

1.5.4

What action is being taken to mitigate and/or monitor these risks?



2. Pensions accounting and audit standards

The importance of pension information in employer accounts has increased in recent years, with the introduction of FRS17 and IAS19 reporting requirements. Now the size of an employer’s pension obligations can have a real impact on its ability to obtain credit. At the same time the requirement to publish separate pension fund accounts has been introduced, increasing the need for high standards in accounting practices.

The questions set out in this section aim to measure your knowledge against the core knowledge requirements you are required to have in undertaking your role in relation to the LGPS.

2.1 Pensions accounting and audit standards

2.1.1

Give 4 examples of how FRS17/IAS19 reporting differs from formal fund valuation reporting?

2.1.2 tick all that apply

Which of the following statements describe the role of an elected member in the preparation of pension fund accounts and which describe the responsibilities of the ‘responsible financial officer’ and auditor?

	EM	RFO
A. Approve the statement of accounts;	<input type="checkbox"/>	<input type="checkbox"/>
B. Selecting suitable accounting policies and then applying them consistently;	<input type="checkbox"/>	<input type="checkbox"/>
C. Provide an opinion on whether the accounts provide fairly the financial transactions of the pension fund;	<input type="checkbox"/>	<input type="checkbox"/>
D. Taking reasonable steps to detect and prevent fraud and other irregularities;	<input type="checkbox"/>	<input type="checkbox"/>
E. Examine, on a test basis, evidence that the information contained in the accounts is consistent with the information contained in supporting information.	<input type="checkbox"/>	<input type="checkbox"/>



2.1.3 tick one box

True or False?

FRS17/IAS19 reporting provides certain disclosures which need to be made in an employer's statement of accounts.

True

False

2.1.4

What is the difference between the role of internal and external audit?

Advanced

2.1.5 tick one box

Under which Act are the accounting and auditing requirements of local authorities and LGPS Funds defined?

A. Pensions Act 1995;

B. Finance Act 2004;

C. Superannuation Act 1972;

D. The Accounts and Audit Regulations 2003.

2.1.6 tick all that apply

Guidance on financial reporting standards for public bodies participating in the LGPS is contained in either the CIPFA Statement of Recommended Practice (SORP) or the Financial Reporting Manual (FReM). Broadly speaking, which of the bodies set out below would you expect to be covered by the CIPFA guidance and which by FReM?

	CIPFA	FReM
A. County Council;	<input type="checkbox"/>	<input type="checkbox"/>
B. District or Borough Councils;	<input type="checkbox"/>	<input type="checkbox"/>
C. Probation Board or Trust;	<input type="checkbox"/>	<input type="checkbox"/>
D. Government Agencies.	<input type="checkbox"/>	<input type="checkbox"/>



3. Financial services procurement and relationship management

Given the technical nature of managing a pension fund such as LGPS funds, and the acceptance that third parties can provide a more cost effective service on your behalf, it is often necessary or useful to utilise the services of external experts who have the required experience or qualifications. Outsourcing is in itself a complex area, and so it is important to understand the various legal requirements that need to be complied with in order than any outsourcing arrangements are entered into legally and can work effectively.

The questions set out in this section aim to measure your knowledge against the core knowledge requirements you are required to have in undertaking your role in relation to the LGPS.

3.1 Understanding public procurement

3.1.1 tick all that apply

Which of the following statements is true?

A. Appointments of advisors and investment managers above a minimum threshold (in terms of value) are subject to European public procurement regulations;

B. The Committee should agree in advance the procurement rules that they will apply to each appointment;

C. All advisory and manager appointments are subject to the requirements of EU public procurement.

3.1.2 tick all that apply

Who in the Council is responsible for ensuring that procurement rules are followed?

A. The Committee;

B. The Director of Resources and Fund officers;

C. A specialist Procurement Officer.

3.1.3 tick all that apply

How long would it typically take to procure an investment manager and transfer assets under their control

A. 1 month;

B. 3 months;

C. 6 months.



Advanced

3.1.4 tick all that apply

Which of the following statements are true if you are appointing investment managers?

- A. The Committee can decide which investment managers they would like to interview;
- B. The contract must be published so that any suitably qualified investment manager can apply;
- C. The Committee must select the investment manager with the best historic performance record;
- D. Unsuccessful applicants are entitled to feedback on why they did not succeed.

3.2 Supplier risk management

3.2.1 tick all that apply

Who holds investment assets within the Fund?

- A. The Council;
- B. The Fund managers;
- C. The Fund custodian.

Advanced

3.2.2 tick all that apply

When you participate in stocklending, which of the following entitlements does the fund lose

- A. Dividends;
- B. Voting rights;
- C. Rights issues / share splits.

3.2.3 tick all that apply

Can an investment manager lose more than the value of your assets held within their mandate

- A. No, not if they follow LGPS regulations;
- B. Yes, depending on the specific nature of their mandate.



4. Investment performance risk management

Monitoring the investment performance of fund managers and ensuring appropriate risk management processes are in place are probably amongst the more traditional roles of LGPS pension committees or panels. While the terms of reference of committees or panels have become much broader in recent years, monitoring the fund investments and managing risks remain at the core of elected members and practitioners responsibilities.

The questions set out in this section aim to measure your knowledge against the core knowledge requirements you are required to have in undertaking your role in relation to the LGPS.

4.1 Total fund

4.1.1 tick all that apply

Where should the fund's policy on stock lending be recorded?

A It does not have to be recorded

B The statement of investment principles

C The statement of funding principles

4.1.2 tick one box

What is the most important factor the Committee needs to take into account when taking major investment decisions?

A. Familiarity with the specific issue concerned;

B. Appropriate advice;

C. An awareness of recent financial conditions.

4.1.3 tick one box

Which of the following is the most appropriate method of measuring how well the Fund is meeting its objective?

A. A comparison of the investment return relative to that of other LGPS funds;

B. A comparison of the investment return relative to its strategic benchmark return;

C. A comparison of the value of the assets relative to the value of the liabilities.

4.1.4 tick all that apply

Which of the following impact the total benefits that the Fund will have to pay in the future?

A. Inflation rate;

B. Interest rates;

C. How long people live.



4.1.5 tick one box

If long term fixed interest gilt and index linked gilt yields fall, which of the following is true

A. Liabilities fall in value;

B. Liabilities rise in value.

Advanced

4.1.6 tick all that apply

Funds North and South have very similar liabilities and funding levels but different investment strategies. Fund North is invested 65% equities and 35% fixed interest bonds and Fund South is invested 35% equities and 65% fixed interest bonds. Which of the following statements is true?

A. If equity markets rise the funding level of South will rise more than the funding level of North;

B. If interest rates rise the funding level of North will rise more than the funding level of South;

C. If the inflation rate rises the funding level of both Funds will be reduced but South's funding level will be reduced by more than North's.

4.2 Performance of advisors

4.2.1 tick all that apply

Which of the following services might your investment advisor provide?

A. Performance monitoring;

B. Investment manager selection;

C. Valuation of fund liabilities;

D. Strategy and structure proposals;

E. Advice on stock selection in your equity portfolios.

4.2.2

How and when do you review the performance of your advisors?



4.2.3 tick one box

How frequently should the performance of investment managers be measured and monitored?

A. Monthly;

B. Quarterly;

C. Annually.

4.2.4 tick one box

Who is responsible for the measurement and monitoring of the performance of investment managers?

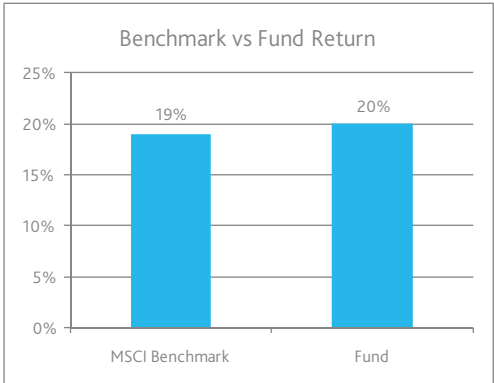
A. The Committee;

B. The administering authority (i.e. the Officers);

C. The investment advisor.

4.2.5 tick all that apply

One of your Fund's global equity managers has a performance target of 2% p.a. in excess of the MSCI All Countries index. The manager presents the following graph



Category	Return (%)
MSCI Benchmark	19%
Fund	20%

Which of the following statements do you agree with?

A. The return achieved is ahead of benchmark so we should be content.

B. The fund manager has beaten his target by 1%.

C. When you consider dividends on top the return is even better.

D. The benchmark is up so much it is not fair to expect the fund manager to have beaten it.

E. It's a strong return but the fund manager has not achieved his target.



4.2.6

tick all that apply

What other aspects of your investment managers should you monitor?

- A. Their voting activity;
- B. Their engagement with companies on economic, social and governance issues;
- C. Their recruitment policies;
- D. The costs of trading on your portfolio.

4.2.7

Who meets with the investment managers for your fund, how frequently and how is the outcome of these meetings reported to Committee?

4.3 Performance of the committee

4.3.1

CIPFA advises that a Committee should set out its expectations of its own performance in a business plan. What targets have you/might you include in such a plan for your own committee? When you review the plan what will the objectives of the review be?

Advanced
4.4 Performance of support services

4.4.1

tick all that apply

Which of the following is the Scheme's Custodian responsible for?

- A. Tax reclaims on income received from investments;
- B. Storing and safeguarding the assets;
- C. Settling trades i.e. buys and sells assets;
- D. Stocklending activities.



5. Financial markets and product knowledge

The variety and complexity of investment products available in the marketplace today has grown significantly from the traditional equities, gilts and property that have been the cornerstone of fund investments for decades. Ensuring an appropriate investment strategy is put in place requires a suitable understanding of the options available in the marketplace. This will also include an understanding of ethical issues and an understanding of the risks associated with different types of investment vehicle.

The questions set out in this section aim to measure your knowledge against the core knowledge requirements you are required to have in undertaking your role in relation to the LGPS.

5.1 Investment strategy

5.1.1 tick all that apply

What influences the funding level of your scheme?

A. The value of the assets;

B. The value of the liabilities;

5.1.2

What is the investment objective of your Fund? In which document would you find it recorded?

5.1.3 write in answer

Which asset class (equities, bonds, property, cash) matches each of the activities described below?

A. Lending money to companies or to government;

B. Buying a share in commercial premises;

C. Buying shares in companies on a stock exchange;

D. Depositing money in the bank?



5.1.4

tick one box

Historically LGPS funds have invested mainly in equities, bonds and property. Which of these has had the highest allocation?

- A. Equities;
- B. Bonds;
- C. Property.

5.1.5

tick one box

Which asset class has the highest expected return?

- A. Equities;
- B. Bonds;
- C. Property.

5.1.6

tick one box

Why do you not invest all of the Fund in equities, the asset class with the highest expected return?

- A. The fund is taxed on high returns so it is better to keep the expected return at a reasonable level;
- B. Assets with high returns also have high risk and we cannot afford to take that risk;
- C. Government regulations require schemes to hold gilts.

5.1.7

tick one box

Which of the following is the best description of the impact of successful diversification?

- A. The fund will achieve higher returns but with significant additional volatility;
- B. The fund will have lower volatility but the returns will also be significantly reduced;
- C. The fund will achieve a better risk-adjusted return measured by the expected return relative to the volatility of return.



5.1.8

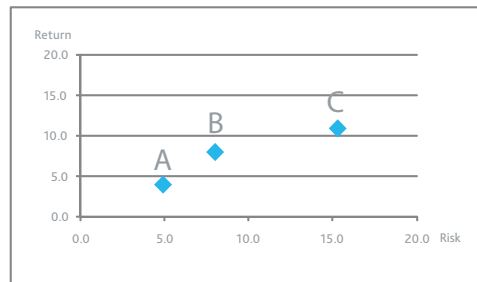
tick one box

Which of the following correctly ranks equities, gilts and property in order of liquidity, the most liquid first?

- A. Equities, gilts, property;
- B. Gilts, property, equities;
- C. Gilts, equities, property;
- D. Property, equities, gilts.

5.1.9

The diagram below plots return on the vertical axis and risk on the horizontal axis. A, B and C indicate each of the three asset classes, equities, bonds and property. Which is which?



A= _____

B= _____

C= _____

Advanced

5.1.10

tick all that apply

The Committee is considering further diversifying the Fund. Which of the following statements are true?

- A. The Fund can be diversified by choosing new assets which behave differently to the ones currently in the Fund;
- B. The Fund can be diversified by choosing new assets which behave in broadly the same way to the ones currently in the Fund;
- C. Private Equity should be considered as it is positively correlated with listed equities;
- D. Hedge Funds should be included as they guarantee to provide a positive return in all market conditions;
- E. Fund management costs will be higher if we choose a fund of funds approach rather than a single fund.



5.1.11 tick one box

Which of the following would you expect to be the most highly correlated with UK equities?

- A. Property;
- B. Active currency;
- C. US equities;
- D. Gilts.

5.1.12 tick all that apply

Your Fund is currently invested with 70% equities, 20% bonds and 10% property. Which of the following will reduce risk without a significant reduction in expected return?

- A. Reducing equities by 20% and increasing bonds;
- B. Reducing equities by 10% and investing in a combination of 'alternative' assets (infrastructure, active currency, hedge funds.);
- C. Hedging the currency exposure on the overseas equities.

5.2 Financial Markets

5.2.1 tick one box

The following is a list of some of the issues the Pensions Committee has to consider

1. The selection of investment managers
2. Agreeing investment strategy i.e. how much of the fund should be allocated to each of the asset classes?
3. The use of pooled funds or segregated mandates

What is the correct order of importance of decision making?

- A. 1, 2, 3;
- B. 3, 2, 1;
- C. 2, 1, 3;
- D. 2, 3, 1.



5.2.2

tick one box

Your fund employs a passive manager for a large portion of the UK equities. What investment objective would you set for the manager?

- A. To achieve a return equal to the return on the liabilities;
- B. To achieve a return equal to the return on the FTSE All-Share;
- C. To achieve a return in excess of the return on FTSE All-Share but without investing outside the UK;
- D. To achieve a return equal to the return achieved by other UK investment managers.

5.2.3

tick one box

Corporate bonds are

- A. Baskets of gilts put together to meet the requirements of pension funds and therefore yield the same as gilts;
- B. Bonds issued by companies and therefore normally have a higher yield than gilts;
- C. Bonds issued by companies and therefore normally have a lower yield than gilts.

5.2.4

tick one box

Which of the following has not traditionally been considered to be part of a property investment portfolio?

- A. Offices;
- B. Industrial properties – e.g factories;
- C. Residential properties;
- D. Retail properties – e.g.shops, shopping centres.



5.2.5

tick all that apply

Which of the following is an advantage of investing in a pooled fund?

- A. Potentially lower costs;
- B. The investment objective can be tailored to meet the fund's requirements;
- C. The Committee can specify the voting policy they want the manager to follow.

5.2.6

tick all that apply

Which of the following is an advantage of investing in a segregated mandate?

- A. lower costs;
- B. the investment objective can be tailored to meet the fund's requirements;
- C. Smaller sized mandates can be accommodated;
- D. The manager will be able to use sophisticated instruments such as interest rate swaps.

5.2.7

tick one box

The return generated by active managers in excess of benchmark is referred to as

- A. Alpha;
- B. Beta;
- C. Gamma;
- D. Delta.



Advanced

5.2.8 tick all that apply

Which of the following are permitted under the LGPS Investment Regulations

- A. Having all of the assets managed by one investment manager in a segregated mandate;
- B. Investing all of the assets in one pooled fund;
- C. Investing in unlisted securities;
- D. Using sophisticated derivative contracts to hedge out interest rate and inflation rate risks?

5.2.9 tick all that apply

Some time ago, the government issued a new gilt with an annual coupon of 5% (the income per annum is £5, the yield is 5% and the redemption value is £100). If the price of the gilts increases to £120 which of the following statements is true?

- A. The yield is still 5%;
- B. The income is still £5 p.a.;
- C. The redemption payment will be £100;
- D. The redemption payment will be £120.

5.2.10 tick one box

Within the property portion of the portfolio, if the Committee wants to achieve as much diversification as possible and the highest level of liquidity, investment should be

- A. In a portfolio of directly held physical properties;
- B. In a property unit trust managed by a properly authorised investment manager;
- C. In a property fund of funds managed by a properly authorised investment manager.

6. Actuarial methods, standards and practices

LGPS funds are required to be “valued” every three years. Traditionally this might have been the only contact a fund would have had with its actuary. Over recent years, however, the degree of contact with the fund actuary has increased dramatically. Contributory factors are;

- The approach to funding has become more sophisticated and so fund valuation exercises involve far more dialogue between fund and actuary;
- There is far more individual employer involvement, as employers become more engaged in the pension scheme they are required to participate in;
- There is more outsourcing of functions and services which has pension implications, and
- More employers are considering whether they need to, or are required to, remain in the LGPS.

Understanding of the actuarial process is, therefore, far more important these days.

The questions set out in this section aim to measure your knowledge against the core knowledge requirements you are required to have in undertaking your role in relation to the LGPS.

6.1 Valuations

6.1.1	tick one box
How often should a formal valuation of the Pension Fund take place?	
A. Every year;	<input type="checkbox"/>
B. Every 3 years;	<input type="checkbox"/>
C. Every 5 years;	<input type="checkbox"/>
D. Every 7 years.	<input type="checkbox"/>

6.1.2	tick all that apply
Which of the following increases the liabilities of the fund?	
A Higher than expected inflation;	<input type="checkbox"/>
B Living longer than expected;	<input type="checkbox"/>
C Early retirement decisions.	<input type="checkbox"/>

6.1.3	tick one box
What is the purpose of the rates and adjustment certificate?	
A Sets out the rates of contribution for each member;	<input type="checkbox"/>
B Sets out the difference in pre and post valuation contributions;	<input type="checkbox"/>
C Sets out the rates of contributions for each scheme employer.	<input type="checkbox"/>



6.1.4 tick all that apply

Which of the following describe assets in the fund:

- A. Employee contributions;
- B. Employer contributions;
- C. Returns on investments;
- D. Transfer values received;
- E. Transfer values paid;
- F. Death grants.

6.1.5 tick one box

Which of the following describe liabilities in the fund:

- A. Annual pension;
- B. Death grants;
- C. Employer contributions;
- D. Transfer values received;
- E. Transfer values paid;
- F. Returns on investments.

6.1.6 tick one box

Which of the following describes how the funding level is calculated (expressed as a percentage):

- A. Value of assets x value of liabilities;
- B. Value of liabilities / value of assets;
- C. Value of liabilities x value of assets;
- D. Value of assets / value of liabilities.



6.1.7

Provide four assumptions which the Fund actuary will take into account as part of the formal valuation exercise

6.1.8

tick all that apply

Which of the following is not the purpose of a funding strategy statement?

- A. Strength of Covenant;
- B. Monitoring Fund Manager Performance;
- C. Asset Allocation;
- D. Risks and Controls;
- E. Contribution Stability Mechanism;

6.1.9

tick all that apply

Which of the following are not one of the stated CIPFA funding aspirations to be included in your fund's funding strategy

- A. Affordability;
- B. Consistency of approach;
- C. Fairness of stakeholders;
- D. Transparency;
- E. Prudent long term view;
- F. Stability of contributions.



6.1.10 tick one box

What is the 'discount rate'?

A. The expected future investment return ignoring inflation;

B. The expected future investment return including inflation;

C. The expected future investment return net of inflation.

6.1.11

What do you understand by the terms "future service rate" and "past service rate" (sometimes called "past service adjustment")?

6.1.12

What methods are used by the actuary to stabilise employer contributions?

6.1.13 tick all that apply

Which of the following need to be considered by the administering authority when a new employer joins an LGPS Pension Fund:

A. Rate of employer contribution rate;

B. Which staff can participate in the scheme;

C. The need for a guarantor/bond;

D. Bulk transfer terms;

E. Any possible allocation of assets within the fund.



6.1.14

Describe 3 matters that should be considered when an employer leaves an LGPS Pension Fund

6.1.15

Which of the following is expected to be included as part of the proposed cost control mechanism?

- A. Changes in financial assumptions
- B. Changes in membership
- C. Pay growth
- D. Improvements in life expectancy

Advanced

6.1.16

What do you understand by the terms “common contribution rate” and “individual adjustment”?

6.1.17

tick all that apply

From where would you obtain a copy of the last formal funding valuation report and the latest version of the Pension Fund’s funding strategy statement?

- A. Fund Manager;
- B. Fund Administrator;
- C. Communities and Local Government (CLG).



6.1.18

List three methodologies for inter-valuation monitoring

6.1.19 tick one box

Which organisation has published guidance on the monitoring of ill health and early retirement decisions in local government?

A. The Audit Commission;

B. Department for Work and Pensions;

C. The Pensions Regulator

6.1.20 tick one box

What is the name of their report and when was it issued?

A. Facing the Future;

B. Fair Deal;

C. Retiring Nature.

Year of issue

6.1.21 tick all that apply

Over what suggested time period are LGPS Funds encouraged to recover early retirement strain costs:

A. 3 years;

B. 5 years;

C. Future working lifetime as set out in the funding strategy statement;

D. Period remaining to normal retirement date.



6.2 Outsourcing

6.2.1

A number of pieces of guidance have been issued over the years on pension protection where employees are compulsorily transferred from a public sector employer. Name 2 of them.

6.2.2

Where a scheme employer outsources a service or assets what are the two options by which pension protection must be provided to the transferring LGPS scheme members?

6.2.3

tick one box

Do the protections described in 6.2.2 apply to new joiners?

A. Yes;

B. No.

6.2.4

What are 2 differences between bulk transfers and individual transfers?



6.2.5

tick one box

From a funding perspective, in order to minimise risks, which of the following does not apply upon the introduction of a new admitted body to the fund?

- A. Requirement for a guarantor
- B. The administering authority resolving which employees are eligible for membership of the LGPS
- C. Potentially levying a higher employer contribution rate on the new employer to reflect their individual circumstances
- D. Having clear and unambiguous termination clauses in any admission agreement

Advanced

6.2.6

tick all that apply

Which of the following are different options that can be used to calculate bulk transfer amounts?

- A. Past Service Reserve;
- B. Share of Fund;
- C. Amount of accrued benefit;
- D. Employee and employer contributions;
- E. Standard cash equivalent transfer value.

