

Pension Fund Committee

Meeting to be held on 3 February 2012

Electoral Division affected: 'All'

Knowledge and Skills Framework

(Appendices 'A' and 'B' refer)

Contact for further information:

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

Gill.kilpatrick@lancashire.gov.uk

Executive Summary

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 Myner's Principle on 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 becomes effective from 1 April 2012 and is mandatory for CIPFA members as part of their standards of professional practice. By adopting the Code the committee will be ensuring good governance and training practices. They will also be supporting 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.

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 help identify these gaps. 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. Once this is completed a training program 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 program will be devised to ensure compliance with the Code of Practice.

Recommendation

The Committee is asked to:

1. formally adopt the Knowledge and Skills Framework, as set out in the report, as part of the Policy Framework of the Lancashire County Pension Fund.
2. agree that work commences 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.

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 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".

The code also represents a key element in complying with the Myners Principle on 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 ensure 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 first year to which the Code has mandatory application to CIPFA members will be 2012/13. 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. Once this is completed a training program 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 program will be devised to ensure compliance with the Code of Practice.

The cost of the officer and member toolkit and online training materials is £1,900 plus VAT, which can be accommodated within existing budgets.

Consultations

N/A

Implications:

This item has the following implications, as indicated:

Risk management

As set out in the report.

Financial

The cost of the toolkit and online training materials is £1,900 plus VAT.

Legal

Non-compliance with the CIPFA Code of Practice.

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	Abigail Leech/County Treasurers Department/01772 530808
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)		