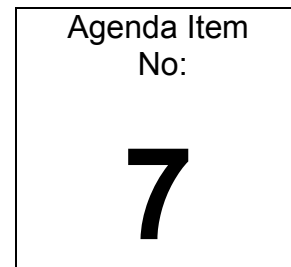


HERTFORDSHIRE COUNTY COUNCIL
PENSIONS BOARD (LGPS)
FRIDAY, 30 SEPTEMBER 2016 AT 10:00AM



MEMBER TRAINING UPDATE 2016-18

Report of the Assistant Director of Finance

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1. Purpose of the Report

- 1.1 To provide the Pensions Board with an update on the proposed training plan to fulfil the requirements set out in the Pensions Act 2004 (and amended by the Public Service Pensions Act 2013).

2. Summary

- 2.1 This report builds on the training principles outlined in the Pension Fund Business plan (presented to Pensions Board in November 2015). This report provides more detail on the relevant legislation - and the expectations of that legislation - in terms of knowledge and understanding of members of Pension Boards.
- 2.2 It is proposed that the CIPFA Technical Framework for Local Pension Boards Knowledge and Skills will form the basis of the training plan, and the key modules of this framework are detailed in the body of this report, with more detail of each provided in Appendix A to the report.
- 2.2 The proposed training plan, which has been developed in conjunction with Hymans Robertson, sets out to cover the eight main modules as identified by CIPFA, and the requirements of the Pensions Regulator Code of Practice 14, over a two year period. It takes into account key milestones in the annual cycle.

3. Recommendations

- 3.1 That the Pension Board:
- note the requirements for knowledge and understanding,
 - comment upon the proposed training plan put forward to meet these,
 - commit to undertake this training.

4. Legislative and Regulatory Framework

- 4.1 The main Legislative and Regulatory frameworks relating to expectations of Pension Board members are outlined in the Pension Act 2004 and the Pensions Regulator Code of Practice (14) respectively. The key elements of these have been summarised below.
- 4.2 In summary, the legislation requires members to be conversant with the rules of the scheme and relevant policy documents. Members are also required to have knowledge and understanding of the law relating to pensions, and this knowledge must be sufficient to enable that member to properly exercise the functions of a member of the pension board.
- 4.3 Further to this, the Pensions Regulator Code of Practice (14) for Governance and Administration of Public Service Pension Schemes¹ outlines that members must be conversant with documents which record the administration of the scheme, citing specific examples of the statement of investment principles and funding strategy statement. Additionally, in the context of the Local Government Pension Scheme (LGPS) in particular, this will bring board members into contact with matters relating to investments, actuarial valuations, third party provision, scheme assurance, accounting and auditing.

5. CIPFA Technical Framework for Local Pensions Boards Knowledge and Skills

- 5.1 CIPFA have interpreted all relevant legislative and regulatory requirements in their Knowledge and Skills Framework for Local Pension Boards, in which they have developed a syllabus of eight key areas which they consider core technical requirements for those working in public sector pensions finance:

- 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
- actuarial methods, standards and practices.

- 5.2 The full CIPFA framework, including detailed expectations of each module is included in Appendix A.

6. Proposed Training Plan

- 6.1 Officers, in conjunction with Hymans Robertson, have proposed a training programme which seeks to cover the eight CIPFA modules, in addition to a further module dedicated to the Pensions Regulator's Code of Practice 14 (Governance and Administration of Public Service Pension Schemes).

¹ Paragraphs 34-35 and 42-44 of The Pensions Regulator Code of Practice Number 14: Governance and Administration of Public Service Pension Schemes (<http://www.thepensionsregulator.gov.uk/codes/code-governance-administration-public-service-pension-schemes.aspx>)

- 6.2 It is proposed that the training programme is delivered over a two year rolling period as set out in Appendix B to the report. Depending on the topic these sessions will be delivered either by officers, external partners/agencies or a combination of the two.
- 6.3 The majority of this training programme will be delivered alongside Pensions Board meetings. However a number of these modules have been identified as being appropriate to cover via joint session with Pensions Committee members. These sessions will be delivered via dedicated training sessions to which Committee members will also be invited. The proposal for these sessions is outlined in Appendix B to the report.
- 6.3 Efforts have been made to target the delivery of relevant training sessions around key milestones, either in the financial year, valuation cycle, or specific fund activities. For example training around modules 3 and 5 (Pensions Administration, and Pensions Service Procurement & Relationship Management respectively) has been scheduled for November 2017 in preparation for the re-tendering process for the Pensions Administration service due to commence in late 2017/early 2018.
- 6.3 Delivery and attendance at these training sessions will be monitored so that compliance with training requirements can be reported on as part of the Pensions Fund Annual Report.

APPENDIX A
CIPFA Technical Knowledge & Skills Framework

Knowledge Area

Competency Level

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.

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 Department for Communities and Local Government (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 SOLACE² 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.

² Society of Local Authority Chief Executives

- 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.
- 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.
- 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.
- 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.

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.

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.

APPENDIX B - Draft Timetable for Delivery of Training Programme

Date	Session	Module(s) to be Covered	Relevant Milestone	Facilitator
30 September 2016	Pension Board Meeting	(6) Investment Performance & Risk Management (7) Financial Markets and Product Knowledge		Mercers (Investment Consultant)
6 December 2016	Pension Board Meeting	(8) Actuarial Methods, Standards & Practices	Presentation of Valuation Results	Provisional: Hymans Robertson
TBC June 2017	Dedicated Session (Joint, with Pensions Committee)	(1) Pensions Legislation (2) Pensions Governance		Provisional: Squire Patton Boggs (External Legal Consultant)
TBC September 2017	Pensions Board Meeting	(4) Pensions Accounting & Auditing Standards (n/a) The Pensions Regulator Code of Practice #14	Presentation of 17/18 Annual Report & Accounts	TBC
TBC November 2017	Dedicated Session (Joint, with Pensions Committee)	(3) Pensions Administration (5) Pensions Service Procurement & Relationship Management	Re-tender of pensions administration service due to commence late 2018	TBC