

Agenda Item	6
Report No	PC/17/13

## Training Policy and the CIPFA Knowledge and Skills Framework

### Report by Director of Finance

#### Summary

This report sets out an updated training policy for the Highland Council Pension Fund, applying to both officers responsible for supporting the Fund, and members of the Pensions Committee and Investment Sub-Committee charged with governance and decision making.

#### 1. Background

- 1.1 The Pension Fund has long recognised the importance of training of Committee members and officers in relation to Pension Fund finance matters. The Fund's Governance Policy Statement incorporates the Fund's current policy with regard to training<sup>1</sup> and the Fund's Annual Report and Statement of Accounts includes a statement setting out governance compliance against the Myners<sup>2</sup> principles.
- 1.2 Arrangements for regular training of both members and officers are in place, with training delivered through a number of means including external seminars and events, training delivered as Committee agenda items, and other briefings and research material. Officer training is planned and monitored through the Council's Personal Development Plan (PDP) framework.
- 1.3 This report is intended to further formalise the existing training arrangements in place, as well as strengthen these arrangements through the formal adoption of the CIPFA Code of Practice on Public Sector Pensions Finance Knowledge and Skills, and CIPFA's supporting Framework and guidance documentation.

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<http://www.highlandpensionfund.org/themes/highland/scheme%20documents/Governance%20Policy.pdf>

<sup>2</sup>Myners Principles (effective decision making):

- decisions are taken by persons or organisations with the skills, knowledge, advice and resources necessary 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.

1.4 Adoption of the CIPFA Code and Framework will specifically strengthen the Fund's approach to planning and monitoring of training delivered, and provide additional support for assessing training needs, for example, through self-assessment tools.

## **2. The CIPFA Code and Framework**

2.1 CIPFA has developed a Code of Practice for Public Sector Pensions Finance Knowledge and Skills, and a Knowledge and Skills Framework to support the Code. The Code and Framework were developed in recognition of the complex and ever changing environment of Pensions finance, and to respond to the governance and training requirements set out in the Myners principles. In the context of LGPS reform, the Code and Framework are seen as meeting the requirements of the Public Sector Pensions Act 2013 and LGPS reform agenda .

2.2 The CIPFA Framework supporting the Code of Practice is intended to have two primary uses:

- as a tool for organisations to determine whether they have the right skill mix to meet their scheme financial management needs,
- as an assessment tool for individuals to measure their progress and plan their development.

2.3 The Framework sets out 6 core areas of knowledge and skills for those involved in LGPS pensions finance (both members and officers):

- pensions legislative and governance context
- pensions 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

2.4 An extract of the competency assessment for members has been included with this report and is further described at paragraph 3.4.

2.5 The CIPFA Framework recognises that all LGPS Funds will differ, and each fund will wish to adapt the framework to suit their own requirements e.g. not all funds will be of a size, or take an investment approach, whereby all activities and knowledge are in-house. The framework acknowledges that some Funds will choose to access certain types of expertise from external sources such as investment managers and investment advisers.

2.6 The key recommendations of the Code and Framework are:

- Formal adoption of the CIPFA Framework as the basis for training and development of members and officers involved in Pension Fund finance matters.

- Disclosure within the Pension Fund Annual Report and Financial Statements how the framework has been applied, what assessment of training needs has been undertaken, and what training has been delivered against the identified training needs.

2.7 To support LGPS meet training needs, CIPFA and Hymans Robertson have developed a freely available online training toolkit providing a knowledge library for officers and members.

<http://www.knowledgeandskillstoolkit.com/Pages/default.aspx>

### 3. Training Policy

3.1 Through this report, the Pensions Committee is asked to formally adopt the CIPFA Code of Practice and Framework to support its training policy. **Appendix A** sets out the statements to be formally adopted in line with the Code and Framework. These statements will then be consolidated within the next revision of the Fund's Governance Policy Statement.

3.2 Training needs will be assessed using the structure of the 6 core knowledge and skills areas set out at paragraph 2.3. Training needs assessment and delivery will be based upon a group (Committee) and individual (member/officer) approach.

#### Group Needs and Training

3.3 It is likely that most aspects of training will be delivered on a group basis, either at Committee or through separate events to which all members will have the opportunity to attend. For this type of training, the training programme and assessment of needs will be based on a consideration of; new developments and legislation, topical/live issues, as well as member feedback and specific requests for training.

Group training will be delivered through a variety of mediums including:

- training provided directly at Pensions Committee or Investment Sub-Committee through reports and presentations.
- specific training sessions/conferences/seminars/visits, provided by e.g. Council officers, investment managers, investment advisors, national bodies such as CIPFA, NAPF, etc.
- provision of and reading of relevant material e.g. research, briefing papers, website content, industry magazines, etc.

#### Individual Needs and Training

3.4 To further support the identification of training needs, and recognising some individuals may have specific requirements, the CIPFA Framework provides for self-assessment to identify training needs.

- **Appendix B** provides further details of the 6 core competencies and members are asked to review this to self-assess any personal knowledge

and skills requirements they feel they may have.

- A separate framework similar to appendix B exists for officers, and it will be integrated with the Council's Personal Development Plan and Training Needs process to identify any specific individual officer training needs.

3.5 Having reviewed appendix B, Members may wish to approach the Head of Accounting & Budgeting or the Finance Manager to discuss any individual queries or training needs they may have identified. In reviewing appendix B, it is important that members appreciate that an in-depth knowledge of all the core knowledge areas is neither assumed nor necessary. In many cases what the framework expects is only an *understanding* or *awareness* of the area, and knowledge of where more detailed knowledge could be sought e.g. members are not necessarily expected to have in depth knowledge of a matter, but a general awareness of the issue and understanding of where they might source further information if required.

3.6 Following the meeting, officers will follow up with members to capture feedback from the self-assessment process. An annual report on training will be considered by the Pensions Committee in future, to ensure that training needs are regularly assessed and training arrangements developed.

#### 4. Recent Training Delivered

4.1 While this report is primarily forward looking, in terms of future training requirements and policy, the opportunity has been taken to recap within this report some examples of recent training undertaken by members and officers in relation to Pension Fund matters (**see appendix C**). This has been mapped against the 6 core areas to highlight coverage.

4.2 Details of further training delivered will be recorded by officers, and used for annual disclosure within the Pension Fund Annual Report, in line with the CIPFA framework expectations.

#### 5. Training Programme 2013/14

5.1 Building upon the training already delivered over the last 12-18 months, the following training programme is proposed for the remainder of the 2013/14 financial year.

Date	Event/Topic/ Provided By	Core Knowledge & Skills Areas Covered	Potential attendees
17/12/13	Reform of the by LGPS in Scotland by LGPS Scotland Investment & Governance Group	Pensions legislative & governance context  Investment performance/risk management  Actuarial methods, standards & practices	Pensions and Investment Sub Committee members  HC officers

Date	Event/Topic/ Provided By	Core Knowledge & Skills Areas Covered	Potential attendees
Next Pensions Committee 2014 (date tbc)	Presentation to update on LGPS reform in Scotland	Pensions legislative & governance context  Actuarial methods, standards & practices	Pensions Committee attendees

5.2 The training programme can be revised going forward based on member feedback and any additional training requirements emerging from discussion of this report and self-assessment of needs.

5.3 An updated training programme for 2014/15 will be brought back to a future Committee meeting.

## 6. Implications

6.1 Resource implications – the resource implications of any future training will be considered as part of the decision to host or attend the training event.

6.2 There are no legal, equalities, climate change/carbon clever or risk implications to highlight from this report.

### Recommendation

Members are asked to consider this report and:

- a) Agree to adopt the CIPFA Code of Practice on Public Sector Pensions Finance Knowledge and Skills and supporting Framework, through agreement of the statements on appendix A;
- b) Agree the training policy and programme for 2013/14 set out within the report;
- c) Note the training delivered to date on pension fund finance matters;
- d) Note the self-assessment framework at appendix B which members can use to identify any personal training needs.

Designation: Director of Finance

Date: 30/10/13

Author: Brian Porter, Finance Manager

Background Papers: CIPFA Code of Practice: Public Sector Pensions Finance Knowledge and Skills.

## **Appendix A**

### **Statements to be Adopted by the Pension Fund/Pensions Committee**

#### **Governance:**

1. The Pensions Committee adopts the key recommendations of the Code of Practice on Public Sector Pensions Finance Knowledge and Skills.
2. The Pensions Committee recognises that effective financial administration, scheme governance and decision-making<sup>1</sup> can only be achieved where those involved have the requisite knowledge and skills.
3. Accordingly the Pensions Committee will ensure that it has adequate resources, formal and comprehensive objectives, policies (see below) 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, scheme governance and decision-making.
4. These policies and practices will be guided by reference to a comprehensive framework of knowledge and skills requirements such as that set down in the CIPFA Pensions Finance Knowledge and Skills Frameworks.
5. The Pensions Committee will report annually on how these policies have been put into practice throughout the financial year.
6. The Pensions Committee has delegated the responsibility for the implementation of the requirements of the CIPFA Code of Practice to the Director of Finance, who will act in accordance with the Pension Committee's policy statement, and with CIPFA Standards of Professional Practice (where relevant).

*<sup>1</sup>In this context, decision-makers are those with executive authority serving on governing bodies: boards, pensions committees, investment committees, etc.*

#### **Knowledge and Skills (Training) Policy Statement:**

1. The Pensions Committee recognises the importance of ensuring that it has the necessary resources to discharge its pensions administration responsibilities and that all staff and members charged with financial administration, governance and decision-making with regard to the pension scheme are fully equipped with the knowledge and skills to discharge the duties and responsibilities allocated to them.
2. It therefore seeks to utilise individuals who are both capable and experienced and it will provide and/or arrange training for staff and members of the pensions decision-making and governance bodies to enable them to acquire and maintain an appropriate level of expertise, knowledge and skills.

## **Appendix B**

### **CIPFA Knowledge and Skills Framework for Members of Pension Committees -Core Areas:**

<b>1.Pensions Legislative and Governance Context</b>
<u>General Pensions Framework</u> A general awareness of the pensions legislative framework in the UK.
<u>Scheme-specific legislation</u> An overall understanding of the legislation specific to the scheme and the main features relating to benefits, administration and investment.  An awareness of the Local Government Pension Scheme (Benefits, Membership and Contributions) Regulations 2007 and Local Government Pension Scheme (Administration) Regulations 2008 and their main features.  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.  Knowledge of the role of the administering authority in relation to LGPS.
<u>Pensions regulators and advisors</u>  An understanding of how the roles and powers of the Pension Regulator, the Pensions Advisory Service and the Pensions Ombudsman relate to the workings of the scheme.
<u>General constitutional framework</u>  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.
<u>Pensions scheme governance</u>  An awareness of the LGPS main features. Knowledge of the Myners principles and associated CIPFA and SOLACE guidance. A detailed knowledge of the duties and responsibilities of committee 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.

## **2.Pensions Accounting and Standards**

Awareness of the Accounts and Audit Regulations and legislative requirements relating to the role of the committee and individual members in considering and signing off the accounts and annual report.

Awareness of the role of both internal and external audit in the governance and assurance process.

## **3.Financial Services Procurement and Relationship Management**

### Understanding public procurement

Understanding of the background to current public procurement policy and procedures, and of the values and scope of public procurement and roles of key decision makers and organisations.

A general understanding of the main public procurement requirements of UK and EU legislation.

### Supplier risk management

Awareness of the nature and scope of risks for the pension fund and of the importance of considering risk factors when selecting third parties.

## **4.Investment Performance and Risk Management**

### Total Fund

Understanding of the importance of monitoring asset returns relative to the liabilities and a broad understanding of ways of assessing long-term risks.

### Performance of advisors

Awareness of the Myners principles of performance management and the approach adopted by the Committee.

### Performance of the Committee

Awareness of the Myners principles and the need to set targets for the Committee to report against them.

### Performance of support services

Awareness of the range of support services, who supplies them and the nature of the performance monitoring regime.



## **5. Financial Markets and Products Knowledge**

### Investment Strategy

Awareness 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.

### Financial markets

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 awareness of the limits placed by regulation on the investment activities of local government pension funds.

## **6. Actuarial Methods, Standards and Practices**

### Valuations

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.

### Outsourcing

A general awareness of the relevant considerations in relation to outsourcing and bulk transfers.

## Appendix C

### Details of training provided and attendees

Date	Event/Topic/Provided By	Attendees	Core Knowledge and Skill Areas					
			Pensions legislative & governance context	Pensions accounting & audit standards	Financial services procurement & relationship	Investment performance & risk management	Financial markets & products knowledge	Actuarial methods, standards & practices
27 & 28/06/12	Highland Council Procurement Processes training course	B.Porter (Finance Manager)			✓			
19/09/12	Pensions Network workshop on governance changes – provided by CIPFA	C Stachan (Accountant)	✓					
24/10/12	LGPS Members Training Seminar provided by CIPFA Pension Fund Sub-group	Cllr Macaulay Cllr Carmichael Cllr Maclennan B.Porter (Finance Manager)	✓			✓	✓	✓
January 2013	Highland Council run workshop on auto-enrolment for scheme employers and managers	HC Pensions Section staff, Scheme employer representatives	✓					
21/02/13	Pensions Committee - LGPS Reform presentation by Barnett Waddingham	Pensions Committee attendees	✓					✓

Date	Event/Topic/Provided By	Attendees	Core Knowledge and Skill Areas					
			Pensions legislative & governance context	Pensions accounting & audit standards	Financial services procurement & relationship	Investment performance & risk management	Financial markets & products knowledge	Actuarial methods, standards & practices
21/02/13	Investment Sub Committee – Investment environment and strategy presentation by Hymans Robertson	Investment Sub-Committee attendees				✓	✓	
17/04/13	Preparing the Pension Fund Accounts training course by CIPFA Pensions Network	C. Stachan (Accountant) M.MacCallum (Treasury Officer)		✓				
2 & 3/10/13	LGPS 2100 – Local Authority Investment Seminar by Baillie Gifford	Cllr Macaulay Cllr Ford Cllr Laird B.Porter (Finance Manager)				✓	✓	
General reading and research e.g. agenda reports and presentations, manager reports and briefings, magazines and other periodicals, online reading etc			✓	✓	✓	✓	✓	✓