

SURREY COUNTY COUNCIL

PENSION FUND BOARD

DATE: 31 MAY 2013

LEAD OFFICER: SHEILA LITTLE, CHIEF FINANCE OFFICER

SUBJECT: KNOWLEDGE & SKILLS FRAMEWORK (CIPFA) FOR THE PENSION FUND



SUMMARY OF ISSUE:

The 2001 Myners Report recommended that local authority trustees responsible for decision making on the investment of pension funds should have sufficient expertise to be able to understand the relevant issues, and to question recommendations put before them by officers and investment consultants.

A Knowledge and Skills Toolkit from the Chartered Institute of Public Finance and Accountancy (CIPFA), in collaboration with Hymans Robertson, has been developed in order to facilitate gaining knowledge of the current issues and technical knowledge required for decision making.

RECOMMENDATIONS:

It is recommended that:

1. The Pension Fund Board adopt the CIPFA Knowledge and Skills Framework.
2. The Pension Fund and Treasury Manager use the existing completed knowledge questionnaires that Board members completed in 2012 as a basis for agreeing with members an appropriate training programme.
3. New members complete the knowledge questionnaire.

REASON FOR RECOMMENDATIONS:

A solid framework is required in order to identify skills and learning requirements and move ahead with a training programme.

DETAILS:

Background

- 1 The 2001 Myners Report recommended that local authority trustees who are making decisions about the investment of pension funds should have sufficient expertise to be able to understand the relevant issues, and to question recommendations put before them by officers and investment consultants. A new 'Knowledge and Skills Toolkit' from the Chartered Institute of Public Finance and Accountancy (CIPFA), in collaboration with Hymans Robertson, has been developed in order to facilitate gaining knowledge of the current issues needed for decision making.

Training Requirement

- 2 Investment opportunities for pension funds continue to grow, and many of the latest opportunities are increasingly complex. Only recently, most local authority funds employed balanced managers who invested only across a range of gilts and equities. Today, most funds employ an increased number of specialist managers who invest in a much wider range of assets, including alternative investments.
- 3 Therefore, officers and Board members need to understand strategic and tactical asset allocation, asset classes, governance, benefit administration, pension related legislation, accounting and audit requirements, procurement, actuarial practice, and the relationship of assets to fund liabilities.
- 4 It is, therefore, important that the skills and knowledge of Board members are updated regularly. It is worth noting that longevity of service on the Board is a very valuable asset, as it inevitably takes a certain period of time for new members to bring their skills 'up to speed'.

CIPFA Knowledge and Skills Framework

- 5 A great deal of work has been done in recent years to address the provision of training to those who serve on investment decision-making bodies. In an attempt to determine the right skill set for quasi trustees involved in decision making, CIPFA has developed, with the assistance of expert practitioners, a technical knowledge and skills framework.
- 6 The framework 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.
- 7 The framework is intended to apply to all members of decision-making bodies. It has been designed so that organisations and individuals can tailor it to their own particular circumstances. Board members already have some of the required skills, and the more experienced Board members will already possess many of them.
- 8 In total there are six areas of knowledge and skills identified as the core technical requirements for those working in public sector pensions. They are:
 - 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.

- 9 Individual members can be set up within the online framework and will be able to use the toolkit as they see fit. It is anticipated that members will, over a period of time, work towards a full understanding of the relevant issues. There is no current intention of imposing a timescale in which certain targets must be met by individual members. It is not expected that all members of the Board will, at all times, have an expert knowledge of all areas, but the Board as a whole needs a breadth of skills and knowledge to ensure that all relevant issues are scrutinised when making decisions. Member progress in improving their skill set will be reviewed on an annual basis.
- 10 It is suggested that, initially, Board members use the online toolkit to assess their own training needs. Officers can then work with members, both individually and collectively, to identify how best to meet any skills/knowledge gaps (for example, group sessions on specific topics, or a session within a Board meeting from which all members can benefit).
- 11 In order to raise awareness of the issues involved, CIPFA suggests that funds should report on members' progress in gaining the relevant skills and knowledge in their annual report. The 2011/12 annual report outlined all such training sessions.
- 12 It is suggested that there are four main ways in which knowledge and skill levels can be increased:
- Use of the web-based packages and CIPFA repository when developed.
 - Manager or actuary led training sessions or specific training as part of the Board meeting agenda.
 - An induction training package for new Board members that covers the areas outlined in the CIPFA Framework.
 - Courses and seminars organised by managers, actuaries, NAPF and other experts, details of which can be circulated to Board members as they arise.
- 13 It is recommended that the Pension Fund and Treasury Manager use the existing completed knowledge questionnaires that Board members completed in 2012 as a basis for agreeing with members an appropriate training programme and ensure that new members complete the same.

CONSULTATION:

- 14 The Chairman elect of the Pension Fund has been consulted on the proposed change and has offered full support for the proposals.

RISK MANAGEMENT AND IMPLICATIONS:

- 15 There are no risk related issues contained within the report's proposals.

FINANCIAL AND VALUE FOR MONEY IMPLICATIONS

- 16 The cost of the proposed action will be ascertained and funded from the administrative expenses of the pension fund.

CHIEF FINANCE OFFICER COMMENTARY

- 17 The Chief Finance Officer is satisfied that all material, financial and business issues and possibility of risks have been considered and addressed and that the training proposal will provide Pension Board members with a solid knowledge base to aid future decision making.

LEGAL IMPLICATIONS – MONITORING OFFICER

- 18 There are no legal implications or legislative requirements associated with this report.

EQUALITIES AND DIVERSITY

- 19 The creation of a new training programme will not require an equality analysis, as the initiative is not a major policy, project or function being created or changed.

OTHER IMPLICATIONS

- 20 There are no potential implications for council priorities and policy areas.

WHAT HAPPENS NEXT

- 21 The following next steps are planned:
- Timescales: proposals implemented by 30 September 2013.
 - Next steps: Pension Fund and Treasury Manager to consult with CIPFA and Hymans Robertson reference training provision.
 - Any future decisions: Progress monitoring will take place and success or otherwise of the project will be discussed at future Board meetings.
 - How the issue/outcomes will be communicated: annual review report for 2013/14.

Contact Officer:

Phil Triggs, Strategic Finance Manager (Pension Fund and Treasury)

Consulted:

Pension Fund Board Chairman

Annexes:

None

Sources/background papers:

Previous knowledge questionnaire completed by Board members.
