

KNOWLEDGE AND SKILLS

Report of the County Treasurer

Please note that the following recommendations are subject to consideration and determination by the Board before taking effect.

- Recommendations: (1) that the Board notes the requirements of the CIPFA Knowledge and Skills Framework and the actions proposed by officers to address training requirements.**
- (2) that the Board notes the training session that will be held on the 20th November.**

1. Introduction

- 1.1. The Devon Pension Fund has had a longstanding commitment to training for Committee members to ensure that they have the skills and understanding required to carry out their stewardship role. In February 2014, the Investment and Pension Fund Committee adopted the CIPFA Code of Practice on Public Sector Pensions Finance Knowledge and Skills.
- 1.2. The 2015/16 Training Plan presented to the Board at the last meeting, sets out the training to be provided over the year in order to ensure that both the Investment and Pension Fund Committee and the Pension Board have the knowledge and skills required in accordance with the CIPFA Code.

2. CIPFA Knowledge and Skills Framework

- 2.1. The CIPFA Code identifies six areas of knowledge and skills that are the core requirements for those with decision making responsibility for LGPS Funds.

The six areas are as follows:

2.2. Pensions legislative and governance context

The pensions landscape is characterised by a complex legislative framework. Knowledge of this framework and the way in which it impacts upon the operational finances of individual schemes provides the context within which public sector pensions decision-makers operate.

Also of key importance is a knowledge and awareness of the governance frameworks that apply within the pensions industry (such as the Myners principles), within individual schemes (such as the LGPS governance statement requirements), and within the organisations that administer the schemes. The legislative and governance framework is the most important area that the Pension Board needs to be conversant with in fulfilling their role.

2.3. Pensions accounting and auditing standards

The accounting requirements and associated disclosures are complex and involve a large actuarial element. Representatives on the Pension Board will need to understand their responsibilities in relation to reviewing the pensions scheme financial statements and will need sufficient knowledge and confidence to question the content of internal and external audit reports and other information they are presented with.

2.4. Financial services procurement and relationship management

Due to the scale, diversity and technical requirements of pensions operations, the use of outsourcing is commonplace. Whether it is the use of fund managers, pensioner payroll providers or third-party administrators, the skills and knowledge required to procure and manage outsourced services are central to scheme management in the public sector. Decision makers will be serviced by professionals with this knowledge, but will need to be aware of the implications for the administration process, the funding principles and the legal requirements, such as those of the European Union.

2.5. Investment performance and risk management

In the LGPS, where contributions are invested and managed to meet future liabilities, understanding investment risk and performance constitutes a major element of the role of finance professionals. The skills required for managing and controlling investment activities are relatively specialised. Decision makers will also be aware of the requirement to apply the same rigour to an assessment of their own performance and the performance of those who work on their behalf. Frameworks and targets must be devised and set, and performance monitored against them and reported to stakeholders.

2.6. Financial markets and product knowledge

An understanding of financial markets and products is fundamental. The decision-making body will need to relate the longer term liabilities of the fund to the strategy for the investment of its assets and generation of cash flows. An understanding of risk is also fundamental.

2.7. Actuarial methods, standards and practices

The scheme actuary holds a key position in the financial management of a pension scheme. Over recent years there has been a sharp increase in communication with the scheme actuary. A successful pension scheme decision-making body will need to be able to do more than simply ensure that the relationship with the actuary is properly managed. It will need to understand the work of the actuary and the way in which actuarial support and information impacts both the finances of the scheme and the scheme employers.

3. Knowledge and Skills Self-Assessment Toolkit

- 3.1. In addition to the training days that have been arranged, officers had intended to provide members of the Pension Board with a self-assessment toolkit, in order to measure knowledge and understanding and to identify future training requirements. In 2014, the Fund subscribed to a self-assessment toolkit which was created by Hymans Robertson (in conjunction with CIPFA) covering each area within the Framework; however, the toolkit is now out of date and Hymans have advised that they can no longer support the toolkit and will not be producing an updated version.
- 3.2. As a result, it has taken longer than expected to provide a toolkit for Pension Board members. Officers are in the process of adapting the 2014 toolkit, updating it for legislation and regulatory changes and making it fit for purpose. The toolkit will be published in electronic format and the first toolkit, covering pensions legislative and governance context, will be issued to members before the end of the calendar year.

4. Training Session – 20th November 2015

- 4.1. A training session has been arranged for the afternoon of the 20th November, running from 1.15pm until 3.30pm at County Hall, following the meeting of the Investment and Pension Fund Committee.
- 4.2. The key presentations will focus on the long term performance of the Devon Pension Fund and the 2016 Actuarial Review. Further details regarding the training session will be provided in due course.

5. Conclusion

- 5.1. The Board is asked to note the requirements of the CIPFA Knowledge and Skills Framework and the actions proposed by officers to address training requirements.
- 5.2. The Board is also asked to note the training session that will be held on the 20th November.

Mary Davis

Electoral Divisions: All

Local Government Act 1972

List of Background Papers - Nil

Contact for Enquiries: Dan Harris

Tel No: (01392) 382520 Room G99