

**Haringey** Council

<b>Report for:</b>	Corporate Committee 14 <sup>th</sup> March 2013	<b>Item number</b>	
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<b>Title:</b>	Pension Fund Training & Development
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<b>Report authorised by :</b>	<i>J. Pater 6/3/13</i> Director of Corporate Resources
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<b>Lead Officer:</b>	Nicola Webb, Head of Finance – Treasury & Pensions <a href="mailto:nicola.webb@haringey.gov.uk">nicola.webb@haringey.gov.uk</a> 020 8489 3726
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<b>Ward(s) affected:</b> N/A	<b>Report for Non Key Decision</b>
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**1. Describe the issue under consideration**

**1.1 To advise upon:**

- The need for a Pensions training and development programme;
- The CIPFA Code of Practice on Public Sector Pensions Finance Knowledge and Skills;
- The CIPFA Pensions Finance Knowledge and Skills Framework;
- The development and delivery of training to meet the requirements of the CIPFA Code of Practice and Framework.

**2. Cabinet Member Introduction**

2.1 Not applicable.

**3. Recommendations**

3.1 That the paper by the Independent Pensions Fund Advisor in Appendix 1 entitled "Pensions Knowledge and Skills" be noted.



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3.2 The key recommendations (principles) of the CIPFA Code of Practice on Public Sector Pensions Finance Knowledge and Skills and specifically the following six statements contained within the Code be adopted:

1. This organisation adopts the key recommendations of the Code of Practice on Public Sector Pensions 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.

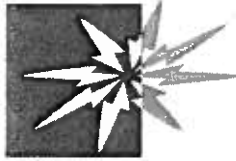
4. These policies and practices will be guided by reference to a comprehensive framework of knowledge and skills requirements such as that set down in the CIPFA Pensions Finance Knowledge and Skills Framework.

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 Director of Corporate Resources (Section 151 Officer) who will act in accordance with the organisation's policy statement, and, when he/she is a CIPFA member, with CIPFA Standards of Professional Practice (where relevant)

3.3 The CIPFA *"Pensions Finance, knowledge and skills framework, Technical Guidance for Elected Representatives and Non-executives in the Public Sector"* (2010) is adopted as the basis for the training and development programme of the Corporate Committee and Pensions Working Group.

3.4 That the Independent Advisor to the Pension Fund is requested to prepare a series of training sessions to cover the six areas within the



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CIPFA Pensions Finance Knowledge and Skills Framework and that these be presented during the financial year 2013-14.

#### **4. Other options considered**

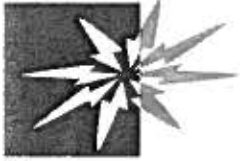
4.1 None.

#### **5. Background information**

- 5.1 Effective and comprehensive training of both Committee Members and Observers is a requirement of a well run Local Government Pension Scheme (LGPS) Fund. CIPFA has produced a Code of Practice on Public Sector Pensions Finance Knowledge and Skills (2011). By adopting the Code the Committee will be promoting and making a clear commitment to good governance and effective training.
- 5.2 The Code of Practice on Public Sector Pensions Finance Knowledge and Skills (2011) supplements the Pensions Finance Knowledge and Skills Framework - Technical Guidance for Elected Representatives and Non-executive Members in the Public Sector (2010) issued by CIPFA. This provides a framework for the training of Members/Observers in the areas of activity of a Committee/Working Group concerned with the activity of a Local Government Pension Fund.
- 5.3 The Independent Advisor to the Pension Fund has prepared a paper on the CIPFA Code of Practice and the CIPFA Knowledge and Skills Framework which is attached as Appendix 1 to this report. The Independent Advisor's paper also includes proposals for the development and delivery of a series of training sessions to cover the six areas within the CIPFA Knowledge and Skills Framework.
- 5.4 It is proposed that the Independent Advisor be requested to present training sessions on all the areas within the CIPFA Knowledge and Skills Framework during the financial year 2013-14. It is estimated that approximately 4 to 6 two hour training sessions will be required.

#### **6. Comments of the Chief Financial Officer and financial implications**

- 6.1 The adoption of the CIPFA Code of Practice and Knowledge and Skills Framework together with the development of a training programme in accordance with these documents will increase the knowledge of Members/Observers. It will also enhance their ability to challenge and



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make decisions in respect of the broad range of issues involved in administering a Local Government Pension Scheme (LGPS) Fund.

- 6.2 The Independent Advisor receives a fixed annual fee. There will be no additional payment for any training sessions prepared and presented by the Advisor.

**7. Head of Legal Services and Legal Implications**

- 7.1 Members should note the obligations imposed on and the benefits to the Council as result of the recommendation to adopt the Code of Practice on Public Sector Pensions Finance Knowledge and Skills. The contents of this report raises no legal issues.

**8. Equalities and Community Cohesion Comments**

- 8.1 Not applicable.

**9. Head of Procurement Comments**

- 9.1 Not applicable.

**10. Policy Implications**

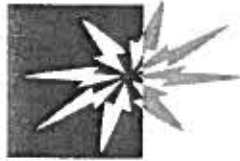
- 10.1 None.

**11. Use of Appendices**

- 11.1 Appendix 1: London Borough of Haringey Pension Fund Pensions Knowledge and Skills - A paper by the Independent Advisor February 2013

**12. Local Government (Access to Information) Act 1985**

- 12.1 Not applicable.



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**Appendix 1**

**London Borough of Haringey**  
**Pension Fund**  
**Pensions Knowledge and Skills**

**A paper by the Independent Advisor**  
**February 2013**

**Summary**

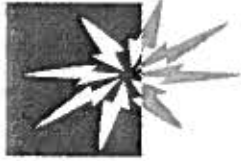
This paper provides the background to the need for Committee Members and Observers to have a broad range of Pensions Knowledge and Skills.

The paper also describes and explains the CIPFA Code of Practice on Public Sector Pensions Finance Knowledge and Skills (2011) and the CIPFA *"Pensions Finance, knowledge and skills framework, Technical Guidance for Elected Representatives and Non-executives in the Public Sector"* (2010). Finally the paper makes proposals for the development and delivery of a series of training sessions to cover the six areas within the CIPFA Knowledge and Skills Framework.

**Background**

Governance is defined as the action, manner or system of governing. Good governance is vital and is promoted in the context of a Local Government Pension Fund by having Elected Members and Observers who have the ability, knowledge and confidence to challenge and to make effective and rational decisions. Therefore comprehensive training of both Committee Members and Observers is a requirement of a well run Local Government Pension Fund.

Recent years have seen an increasing emphasis on Governance in Pension Funds in general through the Myners Principles of good practice relating to governance and investment matters (revised 2008/2009) and specific Local Government Pension Scheme (LGPS) Governance initiatives including the introduction of requirements to prepare a Governance Statement and annual Governance Compliance Statement.



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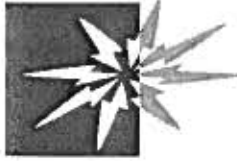
The nature of the benefits regulations relevant to the scheme is becoming more complex. On 1 April 2008 a revised LGPS was introduced which while retaining the final salary principle of the previous 1997 Scheme revised the accrual rate, employee contributions rates and retirement age rules. From 1 April 2014 a new Scheme will be introduced which will be based on career average rather than final salary and with the normal retirement age increasing in line with the state pension age. The accrual rate of the new scheme will be 1/49 rather than the 1/60 accrual rate of the 2008 scheme. Employee contribution rates will also be further revised. All three sets of benefit arrangements will remain relevant as going forward many individual members of the scheme will have service which is subject to both the pre 2008 and 2008 Schemes as well as the 2014 Scheme.

Furthermore Local Government Pension Funds in general are adopting more complex and diverse investment strategies with an increasing trend towards so called "alternative asset classes" including commercial property, private equity, infrastructure and hedge funds. Investment in the traditional asset classes of Equities and Fixed Income (bonds) has also become more complex. For example there has been an increasing emphasis on equities listed outside the UK. Fixed income investment has moved away from a concentration on UK government bonds (Gilts and Index Linked Gilts) to a wide range of instruments across international boundaries. At present the London Borough of Haringey Pensions Working Group is examining the Fund's investment strategy including its approach to fixed income and "alternative assets".

To obtain an understanding of Governance and the other major aspects of the LGPS including legislation; scheme benefits; investment strategy, procurement and investment monitoring; actuarial methods and pensions accounting it is necessary for Committee Members and Observers to undergo a structured training programme.

The final report of the Independent Public Service Pensions Commission (March 2011) chaired by Lord Hutton laid emphasis on training stating that "Every public service pension scheme (and individual LGPS Fund) should have a properly constituted, trained and competent Pension Board, with member nominees, responsible for meeting good standards of governance, including effective and efficient administration"(Recommendation 17a).

A "Public Service Pensions Bill" was published in September 2012 and is likely to become an Act in the first half of 2013. The Bill proposes that each Local Government Pension Fund be required to appoint a Pensions Board. It will be



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necessary for the Board's members to have a proper knowledge and understanding of the scheme.

### **The Principles and Requirements of the CIPFA Code of Practice on Public Sector Pensions Finance Knowledge and Skills**

In 2011 CIPFA produced a Code of Practice on Public Sector Pensions Finance Knowledge and Skills. By adopting the Code the Committee will be promoting and making a clear commitment to good governance and effective training.

The CIPFA Code of Practice represents a key element in complying with the first of the revised Myners Principles which is Effective Decision-making. In accordance with this principle LGPS Funds are required to ensure that

- Decisions are taken by persons or organisations with the skills, knowledge, advice and resources necessary to make them effectively and monitor their implementation
- Those persons or organisations have sufficient expertise to be able to evaluate and challenge the advice they receive and manage conflicts of interest

The new 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 aspects 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 such as those 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 policies are implemented.



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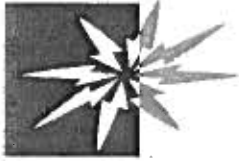
CIPFA recommends that all organisations responsible for the financial management of public sector pension schemes adopt the following statement

1. This organisation adopts the key recommendations of the Code of Practice on Public Sector Pensions Finance Knowledge and Skills.
2. This organisation recognizes 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 such as that set down in the CIPFA Pensions Finance Knowledge and Skills Framework.
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 Director of Corporate Resources who will act in accordance with the organisation's policy statement, and, when he/she is a CIPFA member, with CIPFA Standards of Professional Practice (where relevant)

**The CIPFA “Pensions Finance, Knowledge and Skills Framework, Technical Guidance for Elected Representatives and Non-executives in the Public Sector” (2010)**

The CIPFA Code of Practice on Public Sector Pensions Finance Knowledge and Skills requires that organisations will ensure that they have formal and comprehensive policies and practices for the effective acquisition and retention of the relevant public sector pension scheme finance knowledge and skills.





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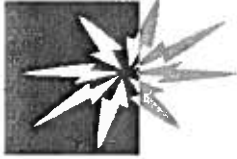
The Code of Practice also requires that these policies and practices be guided by reference to a comprehensive framework of knowledge and skills requirements such as that set down in the CIPFA Pensions Finance Knowledge and Skills Framework.

In 2010 CIPFA issued a *“Pensions Finance, Knowledge and Skills Framework, Technical Guidance for Elected Representatives and Non-executives in the Public Sector”*. As this guidance was both issued by CIPFA and meets the requirements of the Code of Practice in respect of “a comprehensive framework of knowledge and skills requirements” it is proposed that this document is adopted by the London Borough of Haringey as the basis for its Pensions training and development programme.

The 2010 Framework identified six areas of knowledge and skills as the core technical requirements for those involved in decision making. 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 product knowledge
- Actuarial methods, standards and practices

The main issues covered in each of the six areas listed above are set out in the table on the following page:



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**CIPFA PENSIONS KNOWLEDGE AND SKILLS FRAMEWORK**

***Core technical areas***

**Legislative and  
Governance**

***Areas of knowledge***

*General pensions framework*

*Scheme-specific legislation for LGPS*

*Pensions regulators and advisors*

*Pension Scheme governance*

**Pension Accounting  
and Auditing standards**

*Accounts and Audit Regulations*

*Role of Committee*

*Role of internal and external audit*

**Procurement of  
Financial services and  
Relationship  
management**

*Procurement legislative requirements*

*Supplier risk management*

**Investment  
Performance and  
Risk management**

*Monitoring of investment performance*

*Performance of advisors*

*Performance of Committee*

*Performance of support services*

**Financial markets and  
Investment products**

*Investment Strategy*

*Financial markets*

*Investment products regulatory requirements*

**Actuarial methods,  
Standards and  
Practices**

*Valuations and funding strategy*

*Ill-health and early retirement*

*Admitted bodies*

*Outsourcing and bulk transfers*



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**Proposals for the development and delivery of training sessions to cover the six areas within the CIPFA Pensions Finance Knowledge and Skills Framework.**

It is proposed that the Independent Advisor to the Pension Fund prepare and present training sessions to cover the six areas within the CIPFA Pensions Finance Knowledge and Skills Framework.

The Independent Advisor has significant experience in preparing and presenting Pensions training relating to the Local Government Pension Scheme. The Independent Advisor also holds a recognised investment qualification (the CFA UK Level 4 Certificate in Investment Management) and is a CIPFA qualified Accountant.

It is anticipated that 4 to 6 two hour sessions will be required for members of the Corporate Committee and Pensions Working Group to receive training covering the six areas within the CIPFA Framework. It is suggested that these training sessions be undertaken during the financial year 2013-14.

**John Raisin  
Independent Advisor  
21<sup>st</sup> February 2013**

**Background Sources:**

Code of Practice on Public Sector Pensions Finance Knowledge and Skills, CIPFA, 2011.

Pensions Finance Knowledge and Skills Framework, Technical Guidance for Elected Representatives and Non-executives in the Public Sector, CIPFA, 2010.

Principles for Investment Decision Making and Disclosures in the Local Government Pension Scheme in the United Kingdom 2012, CIPFA, November 2012.

The Local Government Pension Scheme (Administration) Regulations 2008, as amended

Independent Public Service Pensions Commission: Final Report, March 2011.

Public Service Pensions Bill (as amended), first published September 2012.

