

Pension Fund Investment Board 21 May 2012

CIPFA Pension Fund Knowledge and Skills Framework

Recommendation

That the Pension Fund Investment Board adopt the CIPFA Knowledge and Skills Framework to identify skills and learning requirements.

1.0 Background

- 1.1 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.

2.0 Training Requirement

- 2.1 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. Officers and members need to understand asset allocation, asset classes, governance, benefit/administration, actuarial practice, legislation, accounting and audit requirements, procurement, actuarial practice, and the relationship of assets to fund liabilities.
- 2.2 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'.

3.0 CIPFA Knowledge and Skills Framework

- 3.1 A great deal of work has been done in recent years to address the provision of training to those who serve on 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. 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.

3.3 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. Members of the Board already have some of the required skills, and the more experienced Board members will already possess many of them.

3.4 In total there are six areas of knowledge and skills that have been identified as the core technical requirements for those working in public sector pensions finance. 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.

3.5 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.

3.6 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).

3.7 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 2010/11 annual report reports only on members' attendance record at board meetings.

3.8 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.

3.9 It is recommended that the Group Manager draft a questionnaire based on the CIPFA Knowledge and Skills Framework, as a basis for agreeing with members an appropriate training programme.

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