

HAMPSHIRE COUNTY COUNCIL

Decision Report

Decision Maker:	Pension Fund Panel
Date:	15 December 2010
Title:	Training for Panel members
Reference:	2435
Report From:	County Treasurer

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1. Executive Summary

- 1.1. The purpose of this report is to review the Panel members' training which has taken place so far in 2010/11.
- 1.2. The report also includes details of CIPFA's knowledge and skills framework for pension fund training, published 2010.

2. Background

- 2.1. The Panel's training activities were first collated into a formal training plan for 2009/10, which was approved by Panel members at the meeting on 20 November 2009. A formal training plan was implemented in order to identify the training needs for the Panel as a whole and for individual members, and to identify how those needs would be met.
- 2.2. At the meeting on 18 June 2010, the Panel approved the training plan for 2010/11, and discussed possible content for the training sessions scheduled for 1 November and 3 November 2010.

3. Training sessions in November 2010

- 3.1. Two half-day training sessions were arranged for Panel members in Winchester during November 2010, as follows:

1 November	Actuarial valuation and impact on investment strategy	Tim Lunn and Rachel Hammond of Hewitt Associates
	The role of function of the global custodian	Ray Bloom and Anita Weiss of Northern Trust

3 November	Exchange traded funds	Christopher Aldous of Evercore and Pollyanna Rhodes of Blackrock
	Index linked gilts	Moira Gorman and John Philpot of State Street, and James Stride of AXA
	Corporate governance	Lord Myners

- 3.2. Attendance by members of the Pension Fund Panel at these sessions was very high. The Audit Committee were also invited to attend, with four members attending one or both sessions.
- 3.3. Feedback on these training events has been positive, with Panel members reporting that the sessions met the training needs identified for these topics.
- 3.4. One point raised by Lord Myners was that although he felt that overall the Annual Report was to be commended for its content, more could be said about the members of the Pension Fund Panel. The Panel may wish to consider whether they would be in favour of more information being included about the background of the Panel members in the 2010/11 Annual Report. This could include details of their working life, as relevant to the Pension Fund, and their training experience.
- 3.5. The Panel may also wish to consider whether they have any further training requirements, which could be addressed at future training sessions. An option could be to hold further training sessions in November 2011, to cover any identified training needs. The Panel has already agreed to hold a 'whiteboard' session in March or April 2011.
- 3.6. One suggestion has been proposed by the Head of Legal Services, which would be to provide an update on the County Council Code of Conduct, and how this affects the Panel members. This information could be circulated now as briefing note for Panel members if it was considered necessary for the Panel to be aware of the important aspects of the Code in advance of training sessions in November 2011. A further suggestion at the Panel meeting on 19 November was that legal services could provide a briefing on the distinction between the Panel members' roles as councillors and as trustees of the Pension Fund.

4. Other training events

- 4.1. The County Treasurer has circulated information to Panel members about training events held by the Pension Fund's investment managers and other external providers, for the Panel members' consideration.
- 4.2. Events attended by Panel members so far during 2010/11 are as follows:

Event	Content	Date in 2010
LGC Investment Summit	Annual update on the investment of local government pension funds and possible future strategies	9 – 10 September
Hewitt Trustee Seminar	An update on changes and potential changes to pensions following announcements made by the coalition government	28 September
Custody Risk Seminar	Explanation of the risks involved in custody operations and help to ensure custody agreements mitigate risks wherever possible	11 October
Local Authority Pension Investment Seminar	The latest developments in LGPS and case study experiences from leading local government pension funds	12 October
Mercer Summit Conference	Strategy and tactics for financing the scheme for the future	21 October
MFS London Conference	The pension fund landscape – where are we now and where are we headed	4 November
Newton 2010 Conference	The current investment environment, performance of Newton's strategies, and thematic investing	12 November
L&G investment seminar for public sector pension funds	Update on the changing environment for public sector pension schemes, and how investment decision making changes during a scheme's lifecycle	24 November

- 4.3. A member of the Panel also completed e-learning provided by The Pension Regulator. The County Treasurer is in the process of reviewing other online toolkits and will report findings back to the Panel in due course.
- 4.4. A number of additional events were also attended by the Panel's independent adviser, including independent adviser group meetings.
- 4.5. At the last two meetings, Panel members have provided feedback and insights for their colleagues about the training events and seminars they have attended.

- 4.6. The County Treasurer will continue to circulate information about external conferences and other training opportunities to Panel members as details become available.

5. CIPFA's knowledge and skills framework

- 5.1. Earlier this year, CIPFA published a Knowledge and Skills Framework, which provides technical guidance for elected representatives and non-executives in the public sector. This publication is intended to be used as a tool for organisations to determine whether they are equipped with the right skills, and as an assessment tool for individuals to monitor their progress and development.
- 5.2. At the current time, the framework is not mandatory, however CIPFA recommend that pension schemes make a voluntary disclosure in their annual reports, explaining 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.
- 5.3. The framework is attached as Appendix 1. In addition, CIPFA have also published specimen role profiles for the chair and vice-chair of a pension fund committee (Appendices 2 and 3). Having reviewed the content of the framework, the Panel and Chairman already meet the requirements detailed within the framework.

6. Recommendations

- 6.1. That the Panel notes the report on training received so far in 2010/11.
- 6.2. That the Panel considers whether to include additional background information about each Panel member in the 2010/11 Annual Report.
- 6.3. That the Panel considers whether there are any further issues on which training sessions or reports are required.
- 6.4. That the Panel considers whether to hold additional training sessions in November 2011.
- 6.5. That the Panel note the publication and content of the CIPFA knowledge and skills framework and that the Panel and Chairman already meet the requirements detailed within the framework.

CORPORATE OR LEGAL INFORMATION:

Links to the Corporate Strategy

This proposal does not link to the Corporate Strategy but, nevertheless, requires a decision because actions are required to make sure that appropriate training arrangements are in place for members of the Pension Fund Panel.

Other Significant Links

Links to previous Member decisions:		
<u>Title</u>	<u>Reference</u>	<u>Date</u>
Direct links to specific legislation or Government Directives		
<u>Title</u>	<u>Date</u>	

Section 100 D - Local Government Act 1972 - background documents

The following documents discuss facts or matters on which this report, or an important part of it, is based and have been relied upon to a material extent in the preparation of this report. (NB: the list excludes published works and any documents which disclose exempt or confidential information as defined in the Act.)

<u>Document</u>	<u>Location</u>
None	

IMPACT ASSESSMENTS:

1. Equalities Impact Assessment:

- 1.1. Equality objectives are not considered to be adversely affected by the proposals in this report.

2. Impact on Crime and Disorder:

- 2.1. The proposals in this report are not considered to have any direct impact on the prevention of crime.

3. Climate Change:

- a) How does what is being proposed impact on our carbon footprint / energy consumption?

No specific impact.

- b) How does what is being proposed consider the need to adapt to climate change, and be resilient to its longer term impacts?

No specific impact.

CIPFA's Pensions Knowledge and Skills Framework for Elected Representatives and Non-executives

1. Pensions legislative and governance context

- *General pensions framework*

A general awareness of the pension legislative framework in the UK.

- *Scheme-specific legislation*

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 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 the LGPS.

- *Pension regulators and advisors*

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.

- *General constitutional framework*

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.

- *Pension scheme governance*

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 auditing 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 the 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 and 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, the 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 outsourcings and bulk transfers.

CIPFA's Suggested Role Profile and Knowledge and Skills Framework for the Chair and Vice-Chair in a LGPS Pensions Committee

Roles such as chair and vice-chair require post holders who have a wide experience of chairing meetings effectively, are good communicators and have at least some knowledge of financial issues (through council, personal and/or career experience).

The above knowledge framework is developed further for the chair (and, by implication, the vice-chair) in the following paragraphs by including a requirement for more detailed levels of knowledge in some areas and by introducing elements unique to the chair. A similar approach could be developed in the future under this framework for other specific member roles if it becomes necessary.

1. Job Description

A typical job description or role profile for a chair of a pension committee or board is provided in Appendix 3, together with a suggested person specification. If this reflects fairly the role of the chair, it suggests that the following parts of the members' knowledge framework require more detailed knowledge for a member with this role.

2. Legislation and Constitution

A full understanding is required of the role of pension fund committees in relation to the fund, administering authority, employing authorities, scheme members and taxpayers.

3. LGPS

A regularly updated appreciation is needed of the latest changes to the scheme rules and what actions these may require a pension committee to take.

An extensive knowledge of the role of the administering authority in relation to the LGPS will be necessary.

4. Financial Markets

A chair will need knowledge of the limits placed by regulation on the investment activities of local government pension funds, as well as:

- awareness of the investment vehicles available
- the intrinsic characteristics and risks of each of them; and
- their current or potential role in helping fulfil the fund's strategic investment objectives.

5. Actuarial

The chair will need to develop a good working relationship with the fund actuary to help impart knowledge of the valuation process to the committee, including developing the funding strategy and inter-valuation monitoring.

The chair will also need an understanding of the actuary's resources and areas of specialist knowledge in order to put them most effectively at the disposal of the committee and its stakeholders.

It will be important for the chair to understand and share the chief financial officer's objectives with regard to each periodic valuation of the fund(s).

6. Performance Management

The chair should take the member lead on and have an in-depth understanding of monitoring asset returns relative to the liabilities and have a broad understanding of ways of assessing long-term risks. The chair also needs:

- a good and up-to-date knowledge of the Myners principles of performance management in order to lead the approach adopted by the committee
- a knowledge of the range of support services, who supplies them and the nature of the performance monitoring regime, in order to lead on behalf of the committee.

7. Procurement

A general understanding of the main public procurement requirements of UK and EU legislation is necessary in order to lead members through procurement processes for advisors and support services.

8. Governance

It is important to have detailed knowledge of the Myners principles and associated CIPFA and SOLACE guidance in order to form a view on the appropriate responses by the committee. A detailed knowledge of the duties and responsibilities of committee members will be needed, to ensure they are upheld and to form a view on appropriate delegations to individual members and groups of members.

The chair should have a good level of knowledge of the stakeholders of the pension fund and the nature of their interests in order to lead on communications, consultation and information from the committee. Knowledge is also needed of consultation, communication and involvement options relevant to the stakeholders and the means of delivering them as appropriate.

9. Accounting and Auditing

The chair will need some 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, including areas where emphasis and challenge by the committee will be effective.

CIPFA's Specimen Role Profile – Chair of a Pension Committee

1. Purpose of Role

The purpose of the role covers the strategy and operations of the pension fund; the proper administration of the pension scheme by the administering authority; the performance of the fund, its advisors and agents; and the proper governance of the committee and the fund.

2. Principle responsibilities

- Chair the pension committee to determine, after taking the advice of the chief financial officer and other advisors:
 - a) the investment strategy of the fund or funds for which the committee is responsible
 - b) the contribution rates of the employing organisations whose current and retired employees are members of the LGPS
 - c) the appointment of investment and actuarial advisors and other third-party services
 - d) the governance framework
 - e) the communication strategy of the fund or funds.
- Monitor:
 - a) the performance of the investment, the pensions administration service, the advisors and agents of the fund and of the committee itself
 - b) the costs of running the pension fund and scheme
 - c) comments and feedback from stakeholders.
- Consider and approve:
 - a) the annual report and account of the fund(s)
 - b) audit reports on the functioning of the committee and its services
 - c) statement on investment principles, governance, administration and communication
 - d) the risk register and an annual risk analysis
 - e) the medium-term business plan and annual updates
 - f) training and development plans and updates
 - g) discretions given by statute and regulation to the committee in relation to benefits under the LGPS.
- Work with the chief financial officer and other officers and advisors to plan an effective work programme for the committee.
- Report to the administering authority and other employers, as stakeholders, using practical and appropriate means of communication, to give assurances

about the fund's financial statements, risk management and internal control mechanisms.

- Receive regular briefings from the chief financial officer and other advisors in order to understand the context and implications of forthcoming issues.
- Chair the investment panel or equivalent, with the responsibility of considering the major investment issues in order to plan future committee agendas, and monitoring investment between committee meetings.

3. Person Specification

Requirement	Essential	Desirable
1. Educational	Appropriate financial experience and training. Knowledge of pension funds and schemes.	Demonstrable evidence of knowledge kept up to date.
2. Work experience	Political awareness in numerous political environments. Chairing high-level partnership meetings achieving effective outcomes. Operated for ten years at a senior level. Experience of risk and performance frameworks.	Previously chaired a pension committee or similar.
3. Abilities, intelligence and special aptitudes	Chairing skills. Influencing and consensus building. Listening skills. Able to assimilate complex information.	Mathematical/statistical literacy. Knowledge of public sector and local government finance.
4. Adjustment and social skills	Able to establish good working relationship with councillors, officers and advisors. Able to direct discussions in politically sensitive environments.	Diplomacy and tact.

Requirement	Essential	Desirable
	<p>Able to command respect and demonstrate strong leadership.</p> <p>Assertive in pursuing the correct course of action.</p> <p>Able to work effectively with colleagues who may have different levels of experience and understanding.</p>	
5. Motivation	<p>Enthusiastic, not easily deterred and able to convey enthusiasm to others.</p> <p>Committed to the objectives of the pension scheme and fund(s).</p>	
6. Equal opportunities	<p>Understanding of and commitment to promoting equality of opportunity with an understanding of the pension context.</p>	