

# LONDON BOROUGH OF CROYDON PENSION FUND

## KNOWLEDGE AND SKILLS / TRAINING POLICY

### Introduction

This is the Knowledge and Skills / Training Policy (Policy) of the London Borough of Croydon Pension Fund (Fund) which is managed and administered by the Council. The Policy details the training strategy for members of the Pension Committee, the Pension Board and Officers, including the Section 151 Officer, involved in the management of the Fund.

The Council has delegated responsibility for the implementation of this Policy to the Corporate Director of Resources and Section 151 Officer.

The SAB Good Governance Review is awaiting completion but it is expected that the guidance should clarify that the expectation is that the TPR requirements that apply to Local Pension Boards should equally apply to pension committees in respect of knowledge and skills and training. As a minimum those sitting on pension committees or the equivalent should comply with the requirements of MiFID\* II opt-up to act as a professional client but the expectation is that a higher level and broader range of knowledge will be required.

*\*Following the introduction of Markets in Financial Instruments Directive (MiFID II) legislation in January 2018, financial institutions can no longer categorise a local authority as a “per se professional client”. Instead, a local authority must be classified as a “retail client” unless opted up by the financial institutions to “elective professional client” status. To attain professional status a Fund, as a collective, must be able to demonstrate sufficient expertise, experience and knowledge to satisfy financial institutions that it is capable of making investment decisions and understanding the nature of potential risks. This Policy assists the Fund in ensuring that levels of expertise, experience and knowledge are maintained to satisfy the MiFID II requirements.*

The Good Governance Review also states:

A pension committee member should put aside political considerations, act in the interest of all employers and members and act within a regulatory framework.

### Aims and objectives

The Fund’s “governance” objectives are set out in its Governance Policy Statement and prominent amongst them is that:

- All officers and Pension Committee Members charged with the financial administration and decision-making with regard to the Fund are fully equipped with the knowledge and skills to discharge the duties and responsibilities allocated to them.

All members and officers to whom this Policy applies are expected continually to demonstrate their personal commitment to training and to ensuring that the knowledge and skills objective is met.

To assist in achieving the objective the Fund will aim to comply with:

- CIPFA Knowledge and Skills Frameworks;
- Knowledge and understanding requirements of the Pensions Act 2004 and the Public Service Pensions Act 2013; and
- The Pensions Regulator's (TPR) Code of Practice for Governance and Administration of Public Service Pension Schemes (Code of Practice No 14).
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## **CIPFA and TPR Knowledge and Skills Requirements**

In January 2010 CIPFA launched technical guidance for Representatives on Pensions Committees and non-executives in the public sector contained in a knowledge and skills framework. The Framework detailed the knowledge and skills required by those responsible for pension scheme financial management and decision making in the public sector.

This has now been updated in the CIPFA Knowledge and Skills Framework for LGPS Committee and LGPS Officers 2021. The framework states that regardless of the range of responsibilities, those exercising a delegated responsibility on behalf of the administering authority and to whom this framework applies must be conversant with:

- the rules of the LGPS, and
- any document recording policy about the funding, investment, administration, communications or governance which is for the time being adopted in relation to the scheme.

Such persons must have knowledge and understanding of:

- the law relating to pensions, and
- such other matters as may be prescribed in legislation and guidance

A pension committee must:

- be able to demonstrate that it has the skills, knowledge and experience appropriate for governing its fund
- have a balance of knowledge and skills across the membership of the committee
- be able to apply that knowledge and skills in governing the fund.

Expectations in relation to Pension Committee Members are as follows:

- committing to undertake the role for a term of office
- having the capacity to attend meetings
- attending and participating constructively in meetings
- undertaking training and development appropriate to their role

- approaching matters with an open and independent mind, avoiding any predetermination or bias
- having the confidence to challenge, influence and engage
- operating within the terms of reference of the committee and the administering authority's code of conduct.

### **Corporate Director of Resources and Section 151 Officer and Senior Officers**

As a Chief Finance Officer has, as a minimum, statutory Section 151 responsibilities under the Local Government Act 1972 in respect of an administering authority, they must keep their knowledge of the LGPS up to date, and this should be evidenced through regular, continued professional development.

Similarly, the Code of Practice also relates to all individuals responsible for the management of the LGPS or who have a decision-making, scrutiny or oversight role. The degree of knowledge and understanding required is that which is appropriate for the purposes of enabling the individual to properly exercise their delegated responsibility on behalf of the administering authority.

In July 2015 CIPFA launched technical guidance for Local Pension Board members by extending the existing knowledge and skills framework. The new Framework details the knowledge and skills required by Pension Board members to enable them properly to exercise their functions under Section 248A of the Pensions Act 2004, as amended by the Public Service Pensions Act 2013. This guidance increases the emphasis on Pensions legislation and governance and highlights Pensions Administration as a new and separate area of knowledge and skills. The matrix for the pension board is attached as appendix C

The Framework covers eight areas of knowledge and skills identified as the core requirements:

- pensions legislation;
- pensions governance;
- pension accounting and auditing standards;
- pensions administration and communications;
- pension services procurement and relationship management;
- investment performance and risk management;
- financial markets and products knowledge; and
- actuarial methods, standards and practice.

The two primary roles of the Framework are:

- To enable the organisation to determine whether they have an adequate skills mix to meet their financial needs; and
- To allow individuals to assess their training needs, measure their progress and plan their development

The knowledge matrices for pension committee members and for senior officers are based on the core areas of knowledge listed above. They set out a list of competencies in each of the areas. They are attached to this policy as appendices A (committee members) and B (senior officers).

In 2016 CIPFA issued Investment Pooling Governance Principles for LGPS Administering Authorities, incorporating competencies relating to pooling in the LGPS. As regards training the key requirements are that Administering Authorities:

- Clearly articulate the knowledge and skills requirements in a Fund policy;
- Provide ongoing training in an effective and suitable manner to meet those requirements;
- Regularly review whether knowledge aspirations are being met; and
- Ensure that they rely appropriately on officers and advisers to provide expert knowledge.

CIPFA's Code of Practice recommends (amongst other things) that Local Government Pension Scheme (LGPS) administering authorities:

- Formally adopt the CIPFA Knowledge and Skills Frameworks (or an alternative training programme);
- Ensure that the appropriate policies and procedures are put in place to meet the requirements of the Frameworks (or an alternative training programme); and
- Publicly report how these arrangements have been put into practice each year.

### **The Pensions Act 2004 and the Pensions Regulator's Code of Practice**

Section 248A of the Pensions Act 2004, as amended by the Public Service Pensions Act 2013 (PSPA13) requires Pension Board members to be conversant with the rules of the LGPS and any document recording policy about the administration of the LGPS; and have knowledge and understanding of the law relating to pensions and any other matters which are prescribed in regulations.

The degree of knowledge and understanding required is that appropriate for the purposes of enabling the individual properly to exercise the functions of a member of the LGPS Local Pension Board.

These requirements have been incorporated and expanded on within The Pensions Regulator's Code of Practice 14 *Governance and administration of public service pension schemes*, effective from April 2015. Guidance has been issued by the Local Government Pension Scheme Advisory Board which details how these requirements relate to LGPS administering authorities. A Knowledge and Skills requirements document has been produced to meet these requirements (**Annex A**). The TPR are in the process of updating their code of practice and this policy will be reviewed once it has been finalised.

## **The Pensions Regulator's Code of Practice 14: Governance and Administration of Public Service Pension Schemes**

This Code details the documents that pension board members need to be conversant with. In paragraphs 43 to 44 the Code states:

*For pension board members of funded pension schemes, documents which record policy about the administration of the scheme will include those relating to funding and investment matters. For example, where relevant they must be conversant with the statement of investment principles and the funding strategy statement. Pension board members must also be conversant with any other documented policies relating to the administration of the scheme. For example, where applicable, they must be conversant with policies relating to:*

- *the contribution rate or amount (or the range/variability where there is no one single rate or amount) payable by employers participating in the scheme;*
- *statements of assurance (for example, assurance reports from administrators);*
- *third party contracts and service level agreements;*
- *stewardship reports from outsourced service providers (for example, those performing outsourced activities such as scheme administration), including about compliance issues scheme annual reports and accounts;*
- *accounting requirements relevant to the scheme;*
- *audit reports, including from outsourced service providers; and* ▪ *other schemespecific governance documents.*

## **CIPFA Principles of Investment Decision Making and Disclosure**

In response to the Government's report updating the Myners Principles, LGPS Administering Authorities are required to prepare and maintain statements of compliance against a set of six principles for pension fund investment, scheme governance, disclosure and consultation. These are included in the Investment Strategy Statement. The six principles are:

- Effective decision making
- Clear objectives
- Risk and liabilities
- Performance assessment
- Responsible ownership
- Transparency and reporting

## **Measuring and Monitoring Requirements**

### **Evaluation**

The CIPFA Framework requires administering authorities to monitor and review knowledge and skills of members and senior officers. As a minimum the following is required:

- record attendance at training and ensure action is taken where poor attendance is identified
- prepare tailored training plans for committee members and officers

- require members and officers to undertake self-assessment against the required competencies as set out in the Framework
- communicate regularly with members and officers, encouraging them to highlight training needs on an ongoing basis.

A record of training attended should be kept up to date and made available to stakeholders in the fund's annual report and accounts each year. Members are responsible for ensuring their training record is up to date and accurate.

On appointment, and annually thereafter, Pension Board and Pension Committee members will be asked to complete a competency self-assessment matrix. This will highlight skills gaps or areas for further development. The results of this will be used to inform the development of the training plan.

Training programmes will be flexible, allowing Board and Committee members to update particular areas of learning where required and acquire new areas of knowledge in the event of any changes or developments.

Members need to commit sufficient time to complete their learning needs.

A report will be presented to the Pension Committee on an annual basis setting out:

- The training provided/attended in the previous year at an individual level;
- Commentary on how this compares to the Training Plan; and
- Any actions required, such as a review of the Training Plan.

This information will also be included in the Fund's Annual Report and Accounts.

Pension Committee members and Pension Board members will be provided with details of forthcoming seminars, conferences and other relevant training events as well as an annual summary of the events attended.

Training will be a standing item on all Board and Committee meeting agendas.

In order to identify whether the objectives of this Policy are being met, the Administering Authority will maintain a training log which records attendance at training and compares this to the Training Plan.

## **Delivery**

Training and developments support will be delivered through a variety of methods including:

- The Pensions Regulator's on-line toolkit;
- Free subscription to The Pensions Regulator's news by email service;
- Pension Committee and Board training items at meetings;
- Specific training sessions either internally developed or shared with other funds;
- Fund manager training;
- Investment Advisor and Actuary training;
- London CIV training;

- On -line Training facility provided by Hymans
- On-line facilities;
- Reading materials; and
- Personalised training.

Where appropriate, training will be provided jointly for the Board, Committee and officers.

### **Initial information and induction process**

On joining the Pension Committee, the Pension Board or on appointment as a Senior Officer , individuals will be provided with access to the following Fund documentation:

- Members guide to the LGPS;
  - Latest Actuarial Valuation report;
  - Annual Report and Accounts;
  - Funding Strategy Statement;
  - Governance Policy and Compliance Statement;
  - Investment Strategy Statement including the Fund's statement of compliance with the Myners Principles;
  - Communications Policy;
  - Discretionary Policies; and
  - This Training Policy
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- Pensions Administration Strategy
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- Access to all other Fund Policies

An induction module is available on the Hymans on- line training application which is available for committee members, board members and relevant Officers (including the Section 151 Officer) to access at any time.

Additionally, a Croydon-specific induction presentation has been created which will be provided to board and committee members and relevant officers (including the S151 Officer) on appointment.

Induction training sessions will be provided as required.

### **Demonstrating knowledge and understanding**

The Council will maintain records of the learning of individual Board and Committee members, the Section 151 officer and the Board and Committee as a whole. This will assist members in demonstrating their compliance with their legal requirements and how risks associated with knowledge gaps have been mitigated. The training logs are published with the Fund's Annual Reports.

### **Costs**

Any cost involved in providing training will be met directly by the Fund.

## Key Risks

### Nature of the Risks

The key risks to the delivery of this Policy are outlined below. The Pension Committee members, with the assistance of the Pension Board and Senior officers, will monitor these and other key risks and consider how to respond to them.

- Changes in Pension Committee and/or Pension Board membership and/or Senior Officers potentially diminishing knowledge and understanding;
- Poor attendance and/or a lack of engagement at training and/or formal meetings by Committee members, Board members and/or other Senior Officers resulting in a poor standard of decision making and/or monitoring;
- Insufficient resources being available to deliver or arrange the required training; and
  - The quality of advice or training provided not being of an acceptable standard

### How the Risks will be Measured / Monitored

The Risk Register has been adopted by the Pension Committee and Pension Board and will be reviewed at alternate meetings of each.

## Consultation

A Governance review was carried out by Aon Hewitt and a report making recommendations was published on 30 May 2019. An action plan was approved by the Pension Committee on 11 February 2020, together with a recommendation to review progress on delivery of the plan in 12 months. This Policy addresses the recommendations made in the Review as follows:

- To introduce a policy covering the Pension Board, The Pension Committee and senior officers.
  - Have regard to the work with the London CIV
  - Be supported by training with reference to the CIPFA guidance
  - Should include a list of documents that the Board, Committee and senior officers should be conversant with. **(Annex D)**
  - Link with training needs assessment and monitoring; all members and senior officers should complete the TPR toolkit.
  - Implement a training plan and annual assessment
  - Introduce Induction training
  - Consider further training opportunities including external events
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- Maintaining an up- to- date training log



## **Approval, Review and Effective Date**

The updated Pension Board Training Policy was approved by the Board at their meeting of 17 October 2019 and an amended Fund policy incorporating the CIPFA Local Pension Boards Framework and encompassing the Pension Committee and Senior Officers was approved by the Pension Committee at their meeting of 17 March 2020 and is effective from this date. This policy further incorporates recommendations of the 2021 governance review and the 2021 CIPFA knowledge and skills frameworks and **is effective from 14 June 2022**

**This Policy will be formally reviewed and updated every three years** or sooner if the training arrangements or other matters included within it merit reconsideration.

## **Roles and Responsibilities**

The Council has delegated responsibility for the implementation of this policy to the Corporate Director of Resources and Section 151 Officer.

The Implementation, assessment and management of the Training Plan will be carried out by the Governance and Compliance Manager, reporting to the Head of Pensions and Treasury.

## **Appendix A - PENSION COMMITTEE MEMBERS' FRAMEWORK**

### **Pensions legislations and guidance**

#### **General pensions framework**

A general understanding of the pensions legislative framework in the UK.

A general understanding of other legislation that is relevant in managing an LGPS fund, eg freedom of information, General Data Protection Regulation (GDPR) (as incorporated into UK legislation) and local authority legislation.

#### **Scheme-specific legislation**

A general understanding of the legislation and statutory guidance specific to the scheme and the main features relating to benefits, administration, funding, governance, communications and investment, including:

- a general understanding of the LGPS Regulations 2013
- a general understanding of the LGPS (Management and Investment of Funds) Regulations 2016.

An awareness of LGPS discretions and how the formulation of the discretionary policies impacts on the fund, employers and scheme members.

A regularly updated awareness of the latest changes to the scheme rules (as set out under regulation) and current proposals or potential changes to the scheme.

#### **Guidance**

A general understanding of the requirements of statutory guidance from the responsible authority – DLUHC (England and Wales), SPPA (Scotland) or the Department for Communities (Northern Ireland).

A general understanding of the requirements of The Pensions Regulator Code of Practice 14 (*Governance and Administration of Public Service Pension Schemes*).

An awareness of the requirements of guidance from the Scheme Advisory Board.

An awareness of the requirements of guidance from GAD.

An awareness of other guidance relevant to the LGPS, such as from CIPFA.

#### **Pensions governance**

An awareness of the LGPS regulations' main features, including any material developments and requirements relating to pension scheme governance.

An awareness of statutory and other guidance in relation to pension scheme governance, including DLUHC statutory governance guidance, The Pensions Regulator Code of Practice 14 (*Governance and Administration of Public Service Pension Schemes*), CIPFA/Solace, Scheme Advisory Board guidance and the Myners principles.

#### **Pension regulators, Scheme Advisory Board and other bodies**

A general understanding of how the roles and powers of DLUHC, TPR, the Money and Pensions Service and the Pensions Ombudsman relate to the workings of the scheme. A general understanding of the role of the Scheme Advisory Board and how it interacts with other bodies.

## General constitutional framework

A general understanding of the role of the administering authority in relation to the LGPS, role of pension committees in relation to the fund, administering authority, employing authorities, scheme members and taxpayers. An awareness of the role and statutory responsibilities of the CFO and monitoring officer.

## Fund-specific governance

A strong understanding of the roles, terms of reference and delegated responsibilities of the pension committee (including any sub-committees), the pension board and any other delegated responsibilities to senior officers.

A general understanding of how the asset pool was established, including the responsibilities of the joint governance committee (or equivalent).

A general understanding of the stakeholders of the fund and the nature of their interests. A general understanding of who the key officers responsible for the management of the fund are, how the pension team is structured and how services are delivered. A general understanding of the fund's strategies, policies and other key documents. A general understanding of best practice risk management, including how that supports a structured and focused approach to managing risks. This should include how risk is monitored and managed and the fund's current key risks.

A general understanding of how conflicts of interest are identified and managed. A strong understanding of how breaches in law are recorded and managed and, if necessary, reported to TPR, including each individual's personal responsibility in relation to breaches. A general understanding of the fund's knowledge and skills policy and associated training requirements.

An awareness of the fund's process for dealing with complaints, including its internal dispute resolution procedure.

A general understanding of how the effectiveness of the fund's governance is reviewed.

## Service delivery

A general understanding of the required budget and resources needed to manage and administer the fund.

A general understanding of the annual business planning cycle and budget setting. A general understanding of the fund's key performance indicators and other performance measures.

A general understanding of the fund's business continuity policy and cyber security policy across all areas of fund activity, including administration.

## Funding strategy and actuarial methods

An awareness of the LGPS regulations' main features, including any key developments and requirements relating to funding strategy and the setting of employer contributions, including associated guidance.

A general understanding of the role of the fund actuary.

A general understanding of the funding strategy statement (including employer funding flexibilities) and the expected delivery of the funding objectives.

A general understanding of the key risks to the fund relating to the funding strategy.

## Valuations

A general understanding of the valuation process, including developing the funding strategy in conjunction with the fund actuary and inter-valuation monitoring.

An awareness of the costs to the employer, including employer contributions and early retirement strain costs.

An awareness of the different types of employers that participate in the fund  
importance of employer covenant, the relative strengths of the covenant across the fund's employers and how this impacts the funding strategy adopted.

A general understanding of any legislative and/or benefit uncertainty and the impact of this on the funding strategy.

A general understanding of the scheme valuation and other work carried out by GAD and the impact this has on the valuation process (ie, the cost management process/ Section 13 report).

## New employer and exits

A general understanding of the implications of including new employers in the fund and of the exit of existing employers.

A general understanding of the relevant considerations in relation to the different types of new employer, eg outsourcings, academies (if appropriate), alternative delivery models, and also the considerations in relation to bulk transfers.

## Pensions administration and communications

An awareness of the LGPS regulations' main features and requirements relating to:

- administration and communications strategies
- entitlement to and calculation of pension benefits
- transfers in and out of the scheme
- employee contributions
- the delivery of administration and communications (including associated guidance).

A general understanding of the fund's pensions administration strategy, including how it is delivered (including, where applicable, the use of third-party suppliers and systems), performance measures and assurance processes.

A general understanding of the fund's communications policy, including how it is delivered (including, where applicable, the use of third-party suppliers and systems), performance measures and assurance processes.

A general understanding of best practice in pensions administration, eg performance and cost measures.

A general understanding of the fund's processes and procedures relating to:

- member data maintenance and record keeping, including data improvement plans and relationships with employers for data transmission
- contributions collection.

An awareness of how the fund interacts with the taxation system in relation to benefits administration, including the annual and lifetime allowances.

A general understanding of additional voluntary contribution (AVC) arrangements, including:

- the AVC arrangements that exist
- the choice of investments to be offered to members
- the provider's investment and fund performance,
- the payment of contributions to the provider

- the benefits that can be received by scheme members
- how and when the AVC arrangements, including the investment choices, are reviewed.

## **Pensions financial strategy, management, accounting, report and audit standards**

A general understanding 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 fund's accounts and annual report.

A general understanding of the various elements of income into and expenditure of the fund, including the operational budget.

cash flows of the fund and how risks are managed to ensure appropriate cash is available to pay benefits and other outgoings.

A general understanding of the role of both internal and external audit in the governance and assurance process.

## **Investment strategy, asset allocation, pooling, performance and risk management**

An awareness of the LGPS regulations' main features and requirements relating to investment strategy, asset allocation, the pooling of investments and responsible investments, including associated guidance.

### **Investment strategy**

A general understanding of the key risks that the fund is exposed to and how a fund's investment strategy should be considered in conjunction with these risks.

A general understanding of the risk and return characteristics of the main asset classes (equities, bonds, property) and the need to balance risk versus reward when determining the investment strategy.

A general understanding of the role of these asset classes in long-term pension fund investing.

A general understanding of the fund's cash flow requirements and how these impact on the types of investments considered.

### **Investment pool (England and Wales)**

A general understanding of the structure, operation and purpose of the investment pooling arrangements, including the structure of the relationship with the other participants in the pool.

An awareness of the regulations, best practice and guidance relating to investment pooling and the delivery of the investment objectives of the administering authority/ pension committee by their chosen investment pool.

An awareness of the boundaries of investment activities (eg strategy requiring advice from a suitably qualified person, in-house investment transactions) and which investment activities require FCA authorisation.

A general understanding of the interaction between the administering authority, the pension committee, the investment pool operator, investment pool oversight committee and other parties relating to the investment pooling arrangement – in particular, reporting requirements, influence and accountability.

A general understanding of the fund's investment strategy statement and the investment pool's interpretation and expected delivery of those investment objectives, including any objectives relating to environmental, social and governance factors.

## **Total fund**

A general 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 the committee**

An awareness of the Myners principles and the need to set targets for the committee and to report against them.

An awareness of the range of support services provided to the committee, who supplies them and the nature of the performance monitoring regime.

## **Performance of the investment pool (England and Wales)**

An awareness of the investment regulations and the requirements for monitoring investments.

A general understanding of the requirements of the investment pool in relation to the administering authority and pension committee investment strategy and how to effectively monitor the implementation of the investment strategy within the pool.

## **Responsible investment**

An awareness of the latest developments and requirements in the area of responsible investment.

An awareness of the UK Stewardship Code and the United Nations Principles of Responsible Investment (UNPRI) and whether the fund is a signatory of these.

A general understanding of the fund's approach to responsible investment, including how views on environmental, social and governance issues are incorporated into the fund's investment strategy.

## **Risk management**

A general understanding about how to manage and reduce risk and lessen the impact of risk on assets when it arises, including climate risk.

## **Financial markets and products**

### **Financial markets**

A general understanding of the primary importance of the investment strategy decision. A general understanding of the workings of the financial markets, the investment vehicles available to the pension fund and the nature of the associated risks. An awareness of the restrictions placed by legislation on the investment activities of LGPS funds.

### **MiFID II**

A general understanding of MiFID II requirements relating to the knowledge of decision makers.

### **Investment pool (England and Wales)**

A general understanding of the investment pool operator's approach to pooling and delivering access to the different asset classes and/or investment funds. A general

understanding of which assets and investments may sit outside of the investment pool and why their nature and characteristics permit this.

An awareness of how the fund interacts with the taxation system in the UK and overseas in relation to investments.

## **Pension services procurement, contract management and relationship management**

### **Understanding public procurement**

An awareness of the main public procurement requirements of UK and EU legislation and the use of national frameworks within the context of the LGPS.

### **Fund suppliers**

Awareness of the key decision makers in relation to the fund's procurements. A general understanding of the fund's suppliers and providers and their roles in the management of the fund.

An awareness of how the fund's suppliers are monitored, including:

- the Myners principles
- the need for strategic objectives for investment consultants.

### **Supplier risk management**

A general understanding of the nature and scope of risks for the pension fund and of the importance of considering risk factors when selecting external suppliers and providers. A general understanding of how the pension fund monitors and manages the performance of their external suppliers and providers, including business continuity and cyber risk.

### **Investment pool (England and Wales)**

An awareness of the nature of the relationship with the investment pool parties and a general understanding of:

- the extent of influence over the investment pool operator and oversight committee
- the terms for terminating a pooling agreement • guidance on the requirement to pool investments.

## **Appendix B - SENIOR OFFICERS/MANAGERS' FRAMEWORK (INCLUDING LGPS SENIOR OFFICER)**

Note the levels of knowledge expected that are included within this part are focused on the minimum expectations relating to all senior officers or managers within a fund, including the LGPS senior officer. However, collectively, there should be expert knowledge demonstrated in all areas. For example:

- The LGPS senior officer should have expert knowledge in governance matters.
- The head of investments should have expert knowledge in investment areas.
- The head of administration should have expert knowledge in administration areas.
- There should be a senior officer or manager with expert knowledge in all other areas, including funding and communications.

### **Pensions legislation and guidance**

#### **General pensions framework**

A strong understanding of the pensions legislative framework in the UK, particularly:

- Pensions Act 1995
- Pensions Act 2004
- Occupational and Personal Pension Schemes (Disclosure of Information)

Regulations 2013

- Public Service Pensions Act 2013.

A strong understanding of other legislation that is relevant in managing an LGPS fund, eg freedom of information, GDPR (as incorporated into UK legislation) and local authority legislation.

#### **Scheme-specific legislation**

A detailed knowledge of the legislation and statutory guidance specific to the scheme and the main features relating to benefits, administration, funding, governance, communications and investment, including:

#### **England and Wales**

- Local Government Pension Scheme (Benefits, Membership and Contributions)

Regulations 2007

- Local Government Pension Scheme (Administration) Regulations 2008
- Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014
- Local Government Pension Scheme Regulations 2013
- Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016.

A detailed knowledge of LGPS discretions and how the formulation of the discretionary policies impacts on the fund, employers and scheme members.

A detailed knowledge of the latest changes to the scheme rules (as set out under regulation) and current proposals or potential changes to the scheme.

A strong understanding of how the scheme interfaces with other private and state pension provision.



## Guidance

A detailed knowledge of the requirements of statutory guidance from the responsible authority – DLUHC (England and Wales), SPPA (Scotland) or the Department for Communities (Northern Ireland).

A detailed knowledge of the requirements of The Pensions Regulator code of practice.

A detailed knowledge of the requirements of guidance from the Scheme Advisory Board.

A strong understanding of the requirements of guidance from GAD.

A strong understanding of other guidance relevant to the LGPS, such as from CIPFA.

## Tax legislation

A strong understanding of pension scheme tax legislation and the UK pension scheme reporting framework, in particular:

- Finance Act 2004
- related statutory instruments.

## Pensions governance

A detailed knowledge of the LGPS regulations' main features, including any material developments and requirements relating to the pension scheme governance. A strong understanding of statutory and other guidance relating to pension scheme governance, including DLUHC/SPPA/Department for Communities statutory governance guidance, The Pensions Regulator Code of Practice 14 (*Governance and Administration of Public Service Pension Schemes*), CIPFA/Solace, Scheme Advisory Board guidance and the Myners principles.

## Pension regulators, Scheme Advisory Board and other bodies

A detailed knowledge of how the roles and powers of DLUHC/SPPA/Department for Communities, The Pensions Regulator, the Money & Pensions Service and the Pensions Ombudsman relate to the workings of the scheme.

A detailed knowledge of the role of the Scheme Advisory Board and how it interacts with other bodies.

## General constitutional framework

A detailed knowledge of the role of pension committees in relation to the fund, administering authority, employing authorities, scheme members and taxpayers. A detailed knowledge of the role and statutory responsibilities of the CFO and monitoring officer.

## Fund-specific governance

An expert knowledge of the roles, terms of reference and delegated responsibilities of the pension committee (including any sub-committees), the pension board and any other delegated responsibilities to senior officers.

A detailed knowledge of how the asset pool was established, including the responsibilities of the joint governance committee (or equivalent).

A detailed knowledge of the stakeholders of the fund and the nature of their interests.

An expert knowledge of the role of key officers responsible for the management of the fund, how the pension team is structured and how services are delivered. A detailed

knowledge of the fund's strategies, policies and other key documents. An expert knowledge of best practice risk management, including how that supports a structured and focused approach to managing risk. This should include how risk is monitored and managed and the fund's current key risks.

An expert knowledge of how conflicts of interest are identified and managed. An expert knowledge of how breaches in law are recorded and managed and, if necessary, reported to The Pensions Regulator, including each individual's personal responsibility in relation to breaches.

An expert awareness of the fund's knowledge and skills policy and associated training requirements.

A detailed knowledge of the fund's process for dealing with complaints, including its internal dispute resolution procedure.

A detailed knowledge of how the effectiveness of the fund's governance is reviewed.

### **Service delivery**

An expert knowledge of the required budget and resources needed to manage and administer the fund.

An expert knowledge of the annual business planning cycle and budget setting. An expert knowledge of the fund's key performance indicators and other performance measures.

An expert knowledge of the fund's business continuity policy and cyber security policy across all areas of fund activity, including administration.

### **Funding strategy and actuarial methods**

A detailed knowledge of the LGPS regulations' main features, including any key developments and requirements relating to funding strategy and the setting of employer contributions, including associated guidance. A detailed knowledge of the role of the fund actuary.

A detailed knowledge of the funding strategy statement (including employer funding flexibilities) and the expected delivery of the funding objectives.

A detailed knowledge of the key risks to the fund relating to the funding strategy.

### **Valuations**

A detailed knowledge of the valuation process, including:

- the actual valuation processes
- agreeing the financial and demographic assumptions
- the development and publication of the funding strategy statement • signing off the rates and adjustment certificate
- inter-valuation monitoring.

A detailed knowledge of the costs to the employer, including employer contributions and early retirement strain costs.

A strong understanding of the importance of employer covenant, the relative strengths of the covenant across the fund's employers, and how this impacts the funding strategy adopted.

A strong understanding of any legislative and/or benefit uncertainty and the impact of this on the funding strategy.

A strong understanding of the scheme valuation and other work carried out by GAD and the impact this has on the valuation process (ie the cost management process/Section 13 report).

## **New employer and exits**

A strong understanding of the implications of including new employers into the fund and of the exit of existing employers.

A general understanding of the relevant considerations in relation to the different types of new employer, eg outsourcings, academies (if appropriate), alternative delivery models, and also the considerations in relation to bulk transfers.

A strong understanding of the requirements of HM Treasury's 'fair deal' guidance the Best Value Authorities Staff Transfers (Pensions) Direction 2007 and related guidance concerning outsourcing and bulk transfers.

## **Other issues**

A strong understanding of other pension arrangements, particularly with regard to staff transfers.

A strong understanding of the corporate and workforce ethos when working closely with HR colleagues to determine discretionary policies.

## **Pensions administration and communications**

A detailed knowledge of the LGPS regulations' main features and requirements relating to:

- administration and communications strategies
- entitlement to and calculation of pension benefits
- transfers in and out of the scheme
- employee contributions
- the delivery of administration and communications (including associated guidance).

A detailed knowledge of the fund's pensions administration strategy, including how it is delivered (including, where applicable, the use of third-party suppliers and systems), performance measures and assurance processes.

A detailed knowledge of the fund's communications policy, including how it is delivered (including, where applicable, the use of third-party suppliers and systems), performance measures and assurance processes.

A strong understanding of best practice in pensions administration, eg performance and cost measures.

A detailed knowledge of the fund's processes and procedures relating to:

- member data maintenance and record keeping, including data improvement plans and relationships with employers for data transmission
- contributions collection.

A strong understanding of how discretionary powers operate.

A strong understanding of how the fund interacts with the taxation system in relation to benefits administration, including the annual and lifetime allowances.

A detailed knowledge of AVC arrangements, including:

- the AVC arrangements that exist
- the choice of investments to be offered to members
- the provider's investment and fund performance
- the payment contributions to the provider
- the benefits that can be received by scheme members
- how and when the AVC arrangements, including the investment choices, are reviewed.

## **Pensions financial strategy, management, accounting, report and auditing standards**

A detailed understanding of the Accounts and Audit Regulations and legislative requirements relating to role of the committee and individual members in considering and signing off the fund's accounts and annual report.

A detailed knowledge of relevant pensions accounting standards as they apply to the scheme and to the employer:

- Pensions SORP • FRS 102 (IAS 19)
- iFReM.

A detailed understanding of the approach to pensions external audit as set down in APB Practice Note 15.

A detailed understanding of the various elements of income into and expenditure of the fund, including the operational budget.

A detailed understanding of the cash flows of the fund and how risks are managed to ensure appropriate cash is available to pay benefits and other outgoings.

A detailed understanding of the role of internal and external audit in the governance and assurance process.

A strong understanding of and compliance with the CIPFA *Statement of Expertise* as it applies to:

- leadership and strategic management
- governance, ethics and values
- financial and performance reporting
- audit and accountability
- strategic and operational financial management
- partnerships and stakeholder relations • change, risk and project management.

## **Investment strategy, asset allocation, pooling, performance and risk management**

A detailed knowledge of the LGPS regulations' main features and requirements relating to investment strategy, asset allocation, the pooling of investments and responsible investments, including associated guidance.

### **Investment strategy**

A detailed knowledge of the key risks that the fund is exposed to and how a fund's investment strategy should be considered in conjunction with these risks.

A detailed knowledge of the risk and return characteristics of the main asset classes (equities, bonds, property) and the need to balance risk versus reward when determining the investment strategy.

A detailed knowledge of the role of these asset classes in long-term pension fund investing.

A detailed knowledge of the fund's cash flow requirements and how these impact on the types on investments considered.

### **Investment management**

A strong understanding of prevailing market conditions within UK and overseas equity markets and UK bond and property markets.

A strong understanding of the principles of portfolio construction within both bond and equity mandates.

A strong understanding of portfolio risk monitoring techniques.

A strong understanding of trading systems and practices within bond and equity markets.

A strong understanding of the importance of setting appropriate benchmark indices.

### **Investment pool (England and Wales)**

A detailed knowledge of the structure, operation and purpose of the investment pooling arrangements, including the structure of the relationship with the other participants in the pool.

A detailed knowledge of the regulations, best practice and guidance related to investment pooling and the delivery of the investment objectives of the administering authority/pension committee by their chosen investment pool.

A detailed knowledge of the boundaries of investment activities (eg strategy requiring advice from a suitably qualified person, in-house investment transactions), and which investment activities require FCA authorisation.

A detailed knowledge of the interaction between the administering authority, the pension committee, the investment pool operator, investment pool oversight committee and other parties relating to the investment pooling arrangements – in particular, reporting requirements, influence and accountability.

A detailed knowledge of the fund's investment strategy statement and the investment pool's interpretation and expected delivery of those investment objectives, including any objectives in relation to environmental, social and governance factors.

### **Total fund**

A strong understanding of the importance of monitoring asset returns relative to the liabilities and a strong understanding of ways of assessing long-term risks. A strong understanding of the merits of manager diversification.

### **Performance of the committee**

A strong understanding of the Myners principles and the need to set targets for the committee and to report against them.

A detailed knowledge of the range of support services provided to the committee, who supplies them, and the nature of the performance monitoring regime.

### **Performance of the investment pool (England and Wales)**

A detailed knowledge of the investment regulations and the requirements for monitoring investments.

A detailed knowledge of the requirements of the investment pool in relation to the administering authority and pension committee investment strategy and how to effectively monitor the implementation of the investment strategy within the pool. A detailed knowledge of the non-financial risks within the operation and relationship with the investment pool (operator, oversight committee and other parties) and how these can be mitigated or best managed.

### **Responsible investment**

A detailed knowledge of the latest developments and requirements in the area of responsible investment.

A strong understanding of the UK Stewardship Code and the UNPRI and whether the fund is a signatory of these.

A detailed knowledge of the fund's approach to responsible investment, including how views on environmental, social and governance issues are incorporated into the fund's investment strategy.

### **Risk management**

A strong understanding about how to manage and reduce risk and lessen the impact of risk when it arises, including climate risk.

### **Financial markets and products**

#### **Financial markets**

A detailed knowledge of the primary importance of the investment strategy decision. A strong 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. A strong understanding of the restrictions placed by legislation on the investment activities of LGPS funds.

#### **MiFID II**

A strong understanding of MiFID II requirements relating to the knowledge of decision makers.

#### **Investment strategy**

A strong understanding of long-term risk and return parameters of equity, bond and property markets and issues arising from short-term volatility.

A strong understanding of the effects on overall risk and return of combining these asset classes in the pension fund strategy.

A strong understanding of the relationship between the investment and funding strategies and the liabilities of the fund.

A strong understanding of 'alternative' asset classes available for pension fund investment (private equity, infrastructure, absolute return mandates, etc), including the practicalities of investing, prospective risks and returns and correlation with other asset classes. A strong understanding of the costs and benefits of active and passive currency hedging strategies, including implementation issues.

#### **Investment manager structures**

A strong understanding of the relative attractions of active and passive management across different asset classes.

A strong understanding of the role of active manager risk within the investment arrangements.

A strong understanding of the concepts of 'risk budgeting', sources of return (alpha and beta) and improving the 'efficiency' of the arrangements.

A strong understanding of the practical implications of pooled and segregated mandates in terms of setting investment guidelines, effecting transactions and client reporting. A strong understanding of the implications of combining managers with different investment styles.

## **Other issues**

A strong understanding of the responsibilities of the custodian and procedures for reconciling information with investment providers.

A strong understanding of the costs and benefits of stock lending and commission recapture programmes.

## **Investment pool (England and Wales)**

A detailed knowledge of the investment pool operator's approach to pooling and delivering access to the different asset classes and/or investment funds. A strong understanding of which assets and investments may sit outside of the investment pool and their nature and characteristics.

A strong understanding of how the fund interacts with the taxation system in the UK and overseas in relation to investments.

## **Pension services procurement, contract management and relationship management**

### **Understanding public procurement**

A detailed knowledge of the background to current public procurement policy and procedures, the values and scope of public procurement and the roles of key decision makers and organisations.

A detailed knowledge of the main public procurement requirements of UK and EU legislation and the use of national frameworks within the context of the LGPS.

### **Fund suppliers**

An expert knowledge of the key decision makers in relation to the fund's procurements A detailed knowledge of the nature and scope of risks for the fund and of the importance of considering risk factors when selecting third parties.

A detailed knowledge of how the fund monitors and manages the performance of its outsourced providers.

A detailed knowledge of how the fund's suppliers are monitored, including:

- the Myners principles
- the need for strategic objectives for investment consultants.

### **Investment pool (England and Wales)**

A detailed knowledge of the nature of the relationship with the investment pool parties and a detailed understanding of:

- the extent of influence over the investment pool operator and oversight committee
  - the terms for terminating a pooling agreement
- guidance on the requirement to pool investments

## Appendix C - Local Pension Boards: A Technical Knowledge and Skills Framework

### Pensions legislation

A general understanding of the pensions legislative framework in the UK.

An overall understanding of the legislation and statutory guidance specific to the scheme and the main features relating to benefits, administration and investment.

An appreciation of LGPS discretions and how the formulation of the discretionary policies impacts on the pension fund, employers and local taxpayers.

A regularly updated appreciation of the latest changes to the scheme rules (under regulation).

### Pensions governance

Knowledge of the role of the administering authority in relation to the LGPS.

An understanding of how the roles and powers of the DLUCH, the Pensions Regulator, the Money and Pensions Service and the Pensions Ombudsman relate to the workings of the scheme.

Knowledge of the role of the Scheme Advisory Board and how it interacts with other bodies in the governance structure.

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.

Knowledge of the Myners principles and associated CIPFA and SOLACE guidance. A detailed knowledge of the duties and responsibilities of pension board 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.

Knowledge of how pension fund management risk is monitored and managed.

Understanding of how conflicts of interest are identified and managed.

Understanding of how breaches in law are reported.

### Pensions administration

An understanding of best practice in pensions administration, eg performance and cost measures.

Understanding of the required and adopted scheme policies and procedures relating to: member data maintenance and record-



keeping processes internal dispute resolution contributions collection scheme communications and materials.

Knowledge of how discretionary powers operate. Knowledge of the pensions administration strategy and delivery (including, where applicable, the use of third party suppliers, their selection, performance management and assurance processes).

An understanding of how the pension fund interacts with the taxation system in the UK and overseas in relation to benefits administration. An understanding of what additional voluntary contribution arrangements exist and the principles relating to the operation of those arrangements, the choice of investments to be offered to members, the provider's investment and fund performance report and the payment schedule for such arrangements.

#### **Pensions accounting and auditing standards**

Understanding of the Accounts and Audit Regulations and legislative requirements relating to internal controls and proper accounting practice.  
Understanding of the role of both internal and external audit in the governance and assurance process.  
An understanding of the role played by third party assurance providers.

#### **Pensions services procurement and relationship management**

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.

Understanding of the nature and scope of risks for the pension fund and of the importance of considering risk factors when selecting third parties.

An understanding of how the pension fund monitors and manages the performance of their outsourced providers.

**Investment performance and risk management** Understanding of the importance of monitoring asset returns relative to the liabilities and a broad understanding of ways of assessing long-term risks.  
Awareness of the Myners principles of performance management and the approach adopted by the administering authority.  
Awareness of the range of support services, who supplies them and the nature of the performance monitoring regime.

**Financial markets and products knowledge** Understanding 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.  
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 understanding of the limits placed by regulation on the investment activities of local government pension funds.  
An understanding of how the pension fund interacts with the taxation system in the UK and overseas in relation to investments.

**Actuarial methods, standards and practices** A general understanding of the role of the fund actuary.  
Knowledge of the valuation process, including developing the funding strategy in conjunction with the fund actuary, and 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.  
A general understanding of the relevant considerations in relation to outsourcings and bulk transfers.  
A general understanding of the importance of the employer covenant and the relative strengths of the covenant across the fund employers.

## Appendix D Key Policy Documents

Board and Committee members should be familiar with the following key documents

1.	Member booklets, announcements and other key member and employer communications, which describe the Fund's policies and procedures (including any separate AVC guides) including documents available on the Fund's website	
2.	Any relevant policies of the Administering Authority and/or Pension Committee, for example policies on: <ul style="list-style-type: none"> <li>• conflicts of interests</li> <li>• record-keeping</li> <li>• data protection and freedom of information</li> <li>• internal dispute resolution procedure</li> <li>• reporting breaches</li> </ul>	
3.	The Administering Authority's governance compliance statement (as required by regulation 55 of the Regulations)	
4.	The Administering Authority's funding strategy statement (as required by regulation 58 of the Regulations)	
5.	The Administering Authority's pension administration statement (as required by regulation 59 of the Regulations)	
6.	The Administering Authority's discretionary policy statement (as required by regulation 60 of the Regulations)	
7.	The Administering Authority's communications policy statement (as required by regulation 61 of the Regulations)	

8.	The Administering Authority's Investment Strategy Statement (as required by regulation 7 of the Investment Regulations)	
9.	The Administering Authority's internal controls risk register (for the purposes of section 249B of the 2004 Act)	
10.	The Fund's actuarial valuation report and rates and adjustment certificate (as required by regulation 62 of the Regulations)	
11.	The Fund's annual report and accounts (as required by regulation 57 of the Regulations) including any summary report (as required by regulation 56 of the Regulations)	
12.	Any accounting requirements relevant to the Fund	
13.	Any third party contracts and service level agreements	
14.	Any internal control report produced by third party service providers and investment managers	
15.	The Fund's standard form of admission agreement and bond and related policies and guidance	

## Knowledge and understanding of the law relating to pensions

### Background and Understanding of the Legislative Framework of the LGPS

- Differences between public service pension schemes like the
- LGPS and private sector trust-based schemes
- The historic role of the Independent Public Sector Pensions Commission (IPSPC) and its recommendations within the *Hutton Report*
- Key provisions of the 2013 Act
- The structure of the LGPS and the main bodies involved including the Responsible Authority, the Administering Authority, the Scheme Advisory Board, the Local Pension Board and the LGPS employers
- An overview of local authority law and how Administering Authorities are constituted and operate
- LGPS rules overview (including the Regulations, the Transitional Regulations and the Investment Regulations)
- Local Government Pension Scheme (Benefits, Membership and Contributions) Regulations 2007
- Local Government Pension Scheme (Administration) Regulations 2008 and their main features.
- Latest changes to scheme rules

### General pensions legislation applicable to the LGPS

An overview of wider legislation relevant to the LGPS including:

- Automatic Enrolment (Pensions Act 2008)
- Contracting out (Pension Schemes Act 1993)
- Data protection (Data Protection Acts 1998 and 2018)
- Employment legislation including anti-discrimination, equal treatment, family related leave and redundancy rights
- Freedom of Information (Freedom of Information Act 2000)
- Pensions sharing on divorce (Welfare Reform and Pensions Act 1999)
- Tax (Finance Act 2004)
- Institutions for Occupational Retirement Provision (IORP Directive)

## **Role and responsibilities of the Local Pension Board**

- Role of the Pension Board
- Conduct and conflicts
- Reporting of breaches
- Knowledge and understanding
- Data protection

## **Role and responsibilities of the Pension Committee**

- Ensure the Fund operates in accordance with the LGPS regulations
- Adopt Fund specific policies and monitor compliance
- Set Investment Policy and review performance
- Ensure Triennial Valuation is carried out
- Set the pension administration strategy
- Approve the Statement of accounts and annual report
- Ensure the Council discharges its obligation to other scheme employers
- To make representation to government concerning proposed changes to the LGPS if they choose to do so

## **Role and responsibilities of the Administering Authority**

- Membership and eligibility
- Benefits and the payment of benefits
- Decisions and discretions
- Disclosure of information
- Record keeping
- Internal controls
- Internal dispute resolution
- Reporting of breaches
- Statements, reports and accounts

## **Knowledge of Stakeholders of the Pension Fund**

- Consultation, communication and involvement options relevant to stakeholders

## **Funding and Investment**

- Requirements for triennial valuation
- Rates and adjustment certificate
- Funding strategy statement
- Bulk transfers
- Permitted investments
- Restrictions on investments
- Statement of investment principles
- CIPFA guidance
- Appointment of investment managers
- Role of the custodian
- Myners principles
- Investment pooling
- Pensions accounting and auditing standards
- Risk management

## **Role and responsibilities of Scheme Employers**

- Explanation of different types of employers
- Additional requirements for admission bodies
- Automatic Enrolment
- Deduction and payment of contributions
- Special contributions
- Employer decisions and discretions
- Redundancies and restructuring (including the Local Government (Early Termination of Employment) (Discretionary Compensation) (England and Wales) Regulations 2006)
- TUPE and outsourcing (including Fair Deal and the Best Value
- Authorities Staff Transfers (Pensions) Direction 2007)

## **Tax and Contracting Out**

- Finance Act 2004
- Role of HMRC
- Registration
- Role of 'scheme administrator'
- Tax relief on contributions
- Taxation of benefits
- Annual and lifetime allowances Member protections
- National Insurance
- Contracting out (Pensions Scheme Act 1993)
- Impact of abolition of contracting out in 2016
- VAT and investments

## **Role of advisors and key persons**

- Officers of the Administering Authority
- Fund actuary
- Auditor
- Lawyers
- Investment managers
- Custodians
- Administrators – in house and third party
- Procurement of services
- Contracts with third parties
- Monitoring and management of performance of outsourced providers

## **Key Bodies connected to the LGPS**

- An understanding of the roles and powers of:
- Courts
  - Financial Services Authority
  - HMRC
  - Information Commissioner's Office
  - Money and Pensions Service
  - Pensions Ombudsman
  - The Pensions Regulator (including powers in relation to Local Pension Boards)
  - The Department for Levelling Up, Housing and Communities (DLUCH)
  - The Scheme Advisory Board (SAB)



## Supplementary information on Pooling

### Investment Pool

- Broad understanding of the structure, operation and purpose of the investment pooling arrangements, including the structure of the relationship with the other participants within the pool.
- Appreciation of the regulation, best practice and guidance related to investment pooling and the delivery of the investment objectives of the administering authority/pension committee by their chosen investment pool.
- Appreciation of the boundaries under financial services law and where carrying on investment activities requires FCA authorisation.
- Understanding of the interaction between the administering authority, the pension committee, the investment pool operator, investment pool oversight committee and other parties relating to the investment pooling arrangements; in particular reporting requirements, influence and accountability.
- Understanding of the statement of investment principles or investment strategy statement and the investment pool's interpretation and expected delivery of those investment objectives.

### 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.

### 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.

### Investment pool

Awareness of the nature of the relationship with the investment pool parties and an understanding of:

- the extent of influence over the investment pool operator and oversight committee the terms for terminating a pooling agreement; and
- guidance on the requirement to pool investments.

## **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.

### **Performance of the investment pool**

- Awareness of the Investment Regulations and the requirements for monitoring investments.
- Understanding of the administering authority and pension committee investment strategy requirements of the investment pool and how to effectively monitor the delivery of the investment strategy

### **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.

### **Investment pool**

- Appreciation of the investment pool operator's approach to pooling and delivering access to the different asset classes and/or investment funds.
- Understanding of which assets and investments may sit outside of the investment pool, and their nature and characteristics.

### **Valuations**

- Knowledge of the valuation process, including developing the funding strategy in conjunction with the fund actuary, and 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 outsourcing and bulk transfers.

