

CIPFA Knowledge & Skills Framework (2010)

CIPFA have developed two separate Knowledge & Skills frameworks, one for members and one for officers. Both frameworks cover the same six areas that have been identified by CIPFA as the core technical requirements for those involved with LGPS funds i.e. committee members and officers. These areas are described in detail below (taken from the CIPFA guidance).

1 Pensions Legislative and Governance Context

In addition to the legislation of the LGPS, there are industry-wide statutes that apply in whole or in part to public sector schemes, including the way in which schemes interact with state pensions. Also of importance is a knowledge of the governance frameworks that apply within the pensions industry (such as the Myners principles), within schemes (such as the LGPS governance compliance statement) and within the organisations that administer the schemes.

2 Pensions Auditing and Accounting Standards

The accounting requirements and associated disclosures are complex and involve a large actuarial element. Members will need to understand their responsibilities in relation to considering the financial statements and will need sufficient knowledge to question the contents of the reports and other information that they are presented with. They will need to be aware of the role of both internal and external audit in the governance and assurance process.

3 Financial Services Procurement and Relationship Management

Due to the scale, diversity and technical requirements of pension operations, the use of outsourcing is common-place. The knowledge and skills required to procure and manage outsourced services (such as fund managers, 3rd party administrators) are central to scheme management. Decision makers will be serviced by professionals with this knowledge, but will need to be aware of the principles and main requirements, such as those of the European Union.

4 Investment Performance and Risk Management

In schemes where contributions are invested and managed to meet future liabilities, understanding investment risk and performance constitutes a major element of the role of finance professionals. The skills required for managing and controlling investment activities are relatively specialised and at present there is no formal framework against which funds can test their current skills and competencies. Decision makers will also be aware of the requirements to apply the same rigour to an assessment of their own performance and the performance of those who work on their behalf. Frameworks and targets must be devised and set, and performance monitored against them and reported to stakeholders.

5 Financial Markets and Products Knowledge

In schemes with invested funds, an understanding of financial markets and products is fundamental. The depth of knowledge will depend to some degree on the fund's particular approach to investment management. The decision-making body will need to relate the longer term liabilities of the fund to the strategy for the

investment of its assets and generation of cash flows. Investor engagement will be a key consideration in terms of getting value from the fund's investments and in applying ethical and other good governance principles to companies that the fund invests in. An understanding of risk is also fundamental.

6 Actuarial Methods, Standards and Practices

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