

## REPORT OF THE CORPORATE DIRECTOR OF FINANCE AND RESOURCES

<b>Training – Pensions Administration</b>  <b>Pensions Board - 26<sup>th</sup> January 2016</b>	<b>Classification</b> <b>PUBLIC</b>	<b>Enclosures</b>  None
	<b>Ward(s) affected</b>  <b>ALL</b>	<b>AGENDA ITEM NO.</b>  <b>6</b>

### 1. INTRODUCTION

- 1.1 CIPFA has now published a Technical Knowledge and Skills Framework for local Pension Boards and one of the areas of focus is Pension Administration. Given that the Board is considering a report at this meeting which covers an audit of the administration of the third party provider and employers, this training session has been developed to help the Board understand both the administration functions and their role in assisting the Administering Authority in ensuring compliance against the Regulations.

### 2. RECOMMENDATIONS

- 2.1 **The Pensions Board is recommended to note the report**

### 3. RELATED DECISIONS

- Pensions Board 26<sup>th</sup> January 2016 – Amended Training Policy and CIPFA Guidance
- Pensions Committee 13<sup>th</sup> January 2016 and Pensions Board 26<sup>th</sup> January 2016 – Pension Administration Audits

### 4. COMMENTS OF THE CORPORATE DIRECTOR OF FINANCE & RESOURCES

- 4.1 The responsibilities for the Pension Fund are complex and varied covering the whole spectrum of investments, administration and financial management. Training in all aspects of the Pension Fund and understanding the factors that will impact on the Fund mean that those charged with governance will be able to undertake effective decision making, including having an understanding of the financial impact of such decisions.

- 4.2 The Pension Fund as at the 31<sup>st</sup> March 2015 had 25 employers and over 21,500 pension scheme members and was valued at £1.175bn. The costs of administering the scheme amounted to £638k for the last financial year excluding governance and investment management costs. This equates to £29.56 per member per annum. Ensuring that the function is administered correctly and efficiently are crucial to ensuring that the Fund is meeting its statutory responsibilities as well as ensuring that scheme member benefits are calculated accurately.

## **5. COMMENTS OF THE CORPORATE DIRECTOR OF LEGAL, HR AND REGULATORY SERVICES**

- 5.1 The responsibilities given to the Pensions Committee, Pension Board members and senior officers in respect of the management of the Pension Fund are both broad and onerous and the Board needs to ensure that it has training in order to fulfil its statutory responsibilities. The training being provided to the Pensions Board on the administration of the Pension Fund is in accordance with both the regulations and best practice for local Pension Boards.
- 5.2 The CIPFA Code of Practice on Knowledge and Skills Framework for local Pension Boards, the Public Service Pensions Act 2013, the Pensions Act 2004 and The Pension Regulator's Code of Practice for Public Service Pension Schemes require those charged with governance of the Pension Fund to have a level of knowledge and skills appropriate to their roles. Training is required to enable those charged with the management and oversight of the Fund to continue to carry out their responsibilities in the best interests of fund members and employers.
- 5.3 There are no immediate legal implications arising from this report.

## **6. BACKGROUND/TEXT OF THE REPORT**

- 6.1 In accordance with the Public Service Pensions Act 2013 (PSPA) All Board members are legally required to have knowledge and understanding of pension scheme matters at a level that will allow them to properly exercise the functions of their role.
- 6.2 In recent years CIPFA has placed much greater focus on the need for administering authorities to embrace the requirement for a high level of knowledge and skills in the management of LGPS Funds. During 2015 CIPFA issued a Technical Knowledge and Skills Framework for local Pensions Boards. The guidance is intended to complement the Pensions Regulator's Code of Practice. Within the guidance, one of the areas within the scope of the Framework is a requirement to have the knowledge and skills in relation to pension administration. In particular the Guidance notes the following points:
- 3.9 Pensions administration is perhaps the most highly regulated area of the LGPS. Administering scheme benefits, contributions and other transactions is highly complex and is governed by extensive scheme regulations, as well as industry-wide requirements on disclosure, record-keeping, data maintenance, dispute resolution, etc.*
- 3.10 Understanding these requirements and assisting the administering authority to ensure compliance with the various regulations, standards and codes is a key role of the pensions board, which makes pensions administration a key strand of the knowledge and skills framework.*
- 6.3 The training to be provided to the Board at the meeting will cover key aspects of the administration of the Pension Fund, including both the regulatory background and how the administration function is undertaken by the London Borough of Hackney Pension Fund.
- 6.4 The Pensions Committee has been a keen supporter of ensuring that training forms part of the Committee's role and receives a training session at each Committee

meeting in advance of the main business meeting. Indeed the training undertaken by the Committee and officers was recognised by an award in 2015 from the LGC for Knowledge and Skills.

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Background papers: None