



**COMMITTEE KNOWLEDGE AND UNDERSTANDING
FRAMEWORK**

January 2019

NORTHERN IRELAND LOCAL GOVERNMENT OFFICERS' SUPERANNUATION COMMITTEE

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Introduction

The Committee adopted the Committee Member Knowledge syllabus, based on The Pensions Regulator's (TPR's) *Trustee Knowledge and Understanding (TKU) Scope Guidance* which set out the knowledge and understanding requirements that Committee Members should have or acquire to effectively perform their role at NILGOSC. The CIPFA *Pensions Knowledge & Skills Framework* requirements were also incorporated where guidance was found to augment the TKU Scope provided by TPR.

In April 2015 the syllabus was updated to this *Committee Knowledge & Understanding Framework* to reflect the specific requirements of the *Code of Practice 14: Governance and Administration of Public Service Pension Schemes* (TPR Public Service Code).

Knowledge & Understanding Requirements

Pension board members must be conversant with the scheme rules, which are primarily found in the scheme regulations and documented administration policies currently in force for the scheme. TPR defines being conversant as having a working knowledge of the scheme regulations and policies, so that pension board members can use them effectively when carrying out their duties. They must also have knowledge and understanding of the law relating to pensions and understanding of funding and investment matters relating to the scheme to the degree appropriate for them to be able to carry out their role, responsibilities and duties.

Assessment & Learning

TPR advises that pension board members should invest sufficient time in their learning and development alongside their other responsibilities and duties. It also recommends that pension board members should undertake a personal training needs analysis and regularly review their skills, competencies and knowledge to identify any gaps or weaknesses and use a training plan to address these.

NILGOSC has an agreed annual CPD target of 40 hours per year for Committee Members and a training template which sets out what types of training and development count towards this target. A training needs assessment is completed on an annual basis and Committee Members are provided with opportunities to undertake relevant learning and development opportunities. Committee Members are required to complete the TPR Public Service Toolkit, an online training programme and an annual Committee training event is also organised to provide tailored and specific training based on gaps and needs identified. Training records are maintained by the Governance Team and updates are issued quarterly to ensure these remain up-to-date.

Section 1: The Statutory Requirements and Guidance Relating to NILGOSC as a Non-Departmental Public Body

This includes an understanding of the special nature of NILGOSC as an NDPB and the duties, obligations and powers of Committee Members to operate the pension scheme in accordance with the regulations and Departmental guidance. Specific requirements are as follows:

1.1 The definition and nature of NILGOSC as an NDPB (TKU 1a)

Including the nature of NILGOSC as defined by the Local Government (Superannuation) Act 1950 and subsequent regulations and the role of the sponsor department.

1.2 Fiduciary duties (TKU 1b)

Including the obligation to act prudently, taking into account the needs of all beneficiaries.

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1.3 Professional advice and decision making (TKU 1c)

Including the need for obtaining professional advice (where appropriate) in reaching decisions.

1.4 The role of advisers and suppliers to NILGOSC (TKU 1d)

Including appointment by the Committee of:

- officers
- actuaries
- auditors
- custodians
- fund managers
- investment consultants
- investment managers
- lawyers
- providers (as appropriate)

1.5 The particular role and use of advisers in special situations (TKU 1e)

Including any threat to the scheme or employers' admission agreements.

1.6 Investment of scheme assets. (TKU 1f)

Including the Committee's responsibility to act prudently and in accordance with the Regulations and taking into account the strength of employers' admission agreements.

1.7 The operation of the Scheme in accordance with legislation and Departmental guidance (TKU 1g)

Including:

- Scheme Regulations
- Any amendments
- Management Statement and Financial Memorandum

1.8 Committee Members' powers (TKU 1h)

Including:

a) The power to:

- delegate functions while retaining responsibility
- authorise signatories for payments
- augment benefits and set contributions
- exercise certain discretions (e.g. distribution of death benefits)
- invest scheme assets

b) The limitations and conditions imposed by the regulations and relevant legislation

c) The effect of legislation

1.9 The balance of powers between the scheme employers and the Committee (TKU 1i)

Including the requirement to consult on proposed changes to the scheme

1.10 Conflicts of interest (TKU 1j)

Including situations which may give rise to conflicts and how those conflicts may be managed, e.g.:

- Committee Members whose relationship with a scheme employer might make it difficult to maintain the interests of all categories of beneficiaries as the prime concern.

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- Committee Members required to use their discretion in relation to Scheme members whom they may know well.
- professional advisers who may be retained by both the Committee and the sponsoring employers.
- investment advisers running a fund management service.

1.11 Taking office (TKU 1k)

Including the particular requirements and the implications of joint and several liability, personal duties and responsibilities, and the following of Standing Orders and the Delegations of Authority.

1.12 Fitness and propriety to act as a Committee Member (TKU 1l)

Including the need for:

- an appreciation of the full range of duties.
- appropriate knowledge and understanding.
- preparation for and regular attendance at meetings.
- knowledge of the circumstances in which a person is disqualified from taking office.

1.13 Ceasing to hold office (TKU 1m)

Including the implications of personal liability for past decisions.

1.14 Protections offered to Committee Members (TKU 1n)

1.15 The importance of sound governance and administration arrangements (TKU 1o)

Refer to Section 7.

1.16 The Accounts & Audit Regulation (CIPFA)

Including legislative requirements relating to the role of the Committee and individual members in considering and signing off the annual report and accounts.

1.17 The role of the auditors (CIPFA)

Including internal and external auditors

1.18 NILGOSC's Procurement Policy (CIPFA)

Including an understanding of:

- the values and scope of public procurement
- The role of the Centre of Procurement Expertise and NILGOSC's use of it.
- The main public procurement requirements of UK and EU legislation.

Section 2: The Law Relating to Pensions

This includes occupational pensions' legislation (in outline) and the key provisions of related legislation that affects NILGOSC and impacts on the role and activities of Committee Members.

2.1 Occupational pensions' legislation (TKU 2a)

Including:

- key provisions of the Local Government (Superannuation) Act 1950, the Local Government Pension Scheme (LGPS) Northern Ireland (NI) regulations, the Public Service Pensions Act (NI) 2014 and intervening acts and regulations. All relevant regulations can be found on the NILGOSC website at: <http://www.nilgosc.org.uk/resources/category/19/regulations.aspx>
- TPR Codes of Practice and guidance
- outline of proposals for major legislative change already approved by the Government

2.2 The tax privileges and requirements for occupational pension schemes. (TKU 2b)

Including the relevant provisions of the Finance Act 2004, e.g. those which:

- set the conditions to be met by a Registered Pension Scheme
- allow personal pensions and occupational pensions to be run concurrently

2.3 Pensions related legislation (TKU 2c)

Including:

- anti-discrimination
- arrangements for giving advice on pensions
- civil partnerships
- compensation arrangements
- data protection
- employment legislation
- money laundering
- parental leave
- pensions sharing on divorce

2.4 The particular powers of the regulator in relation to employers as well as Committee (pension board) Members (TKU 2d)

Including:

- the powers to issue contribution notices and financial support directions and to offer protection from these by clearing corporate restructuring proposals
- the power to use enforcement action against the Committee for failure to comply with legal requirements under pension legislation

2.5 Disputes resolution (TKU 2e)

Including:

- Internal Disputes Resolution Procedure.
- The role of the Pensions Advisory Service (TPAS), the Northern Ireland Ombudsman and the Pensions Ombudsman.

2.6 The law relating to internal controls and sound administration (TKU 2g)

Including the obligation to administer the scheme in accordance with legal and regulatory requirements

2.7 The interface between occupational schemes and state pension provision (TKU 2h)

Including the implications of contracting out and the relationship between pension scheme benefits and means-tested state benefits

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2.8 The obligation on employers to offer a qualifying scheme for all employees from 2012 (TKU 2i)

Including the conditions for meeting the requirements for a qualifying scheme, covering such matters as:

- automatic enrolment of members
- minimum contribution rates
- eligibility for membership
- the definition of pensionable pay

2.9 An understanding of how the roles of TPR, TPAS, the Pensions Ombudsman and the Northern Ireland Ombudsman relate to the workings of the scheme (CIPFA)

Including when and in what circumstances NILGOSC should report to TPR and co-operate with any of these organisations.

2.10 Knowledge of consultation, communication and involvement options relevant to the stakeholders (CIPFA)

Including how NILGOSC communicates with scheme employers and members.

Section 3: Investment & Strategic Asset Allocation

Members are required to have a working knowledge and understanding of the basic principles relating to the investment of the scheme's assets. This includes the major asset classes and their risk profiles as well as information about other asset classes and the principles of risk and reward. Strategic asset allocation includes the principles relating to the suitability of different asset classes to meet the liabilities of the scheme.

3.1 Capital markets (TKU 3a)

Including, in broad terms, the effect of economic cycles

3.2 The major asset classes and their characteristics (TKU 3b)

- Equities
- Bonds
- Property
- Cash

3.3 The implications of overseas investment (TKU 3c)

Including foreign exchange risk and political risk

3.4 The existence of other asset classes, instruments and techniques. (TKU 3d)

- annuities used as an asset class
- default funds and life styling arrangements (DC)
- with-profits arrangements (as appropriate)

3.5 The balance between risk and reward (TKU 3e)

- the nature of risk
- risk/reward profile of each major asset class
- basic principles of matching assets to liabilities (defined-benefit)
- basic principles of matching assets to pension expectations (defined-contribution)
- basic principles of managing risk by diversification of asset classes

3.6 The process of strategic asset allocation (TKU 6a)

Including the importance of selecting an appropriate mix of asset classes and taking account of the correlation between them and the Committee's investment objectives

3.7 The characteristics of Alternative asset classes and financial instruments (TKU 6b)

Including Infrastructure and Private Equity

3.8 The use of specialised investment techniques (TKU 6c)

Including liability driven investment arrangements.

3.9 Reviewing asset allocation decisions (TKU 6d)

Including regular review and the response to any change in the maturity or status of the scheme

3.10 AVC Investment Choices & Risk (TKU 8a & 8b)

Including the principles relating to the choice of AVC investments and the implications for members of the investment strategy adopted by the Committee:

- *whether or not the Committee offers investment choices to members*
- *the range of investment choices where they are offered*
- *the suitability of the investments for the membership*
- *the implications of a default investment fund*
- *the implications of life styling as a default option*
- *the importance of member understanding of investment risk*

Section 4: Fund Management

This includes the principles of fund management and how performance can be measured.

4.1 The structure of investment portfolios (TKU 9a)

Including such matters as:

- active vs. passive management
- pooled funds vs. segregated portfolios
- rebalancing portfolios
- investment style

4.2 The selection of fund managers (TKU 9b)

Including an understanding of public procurement requirements and different approaches for appraising different investment opportunities, e.g. Infrastructure Funds

4.3 Investment mandates (TKU 9c)

Including an understanding of the nature of the contract between the Committee and its investment managers, and the fee structures and charges

4.4 Measurement of performance including the use of indices, benchmarks and targets (TKU 9d)

4.5 The mechanisms for monitoring investment arrangements and fund managers (TKU 9e)

Including:

- reports from fund managers
- implications of changes within the fund manager's organisation
- compliance with the statement of investment principles (SIP)
- the completeness and accuracy of records
- the calculation and the impact of charges and fees
- management of any transition of assets between one manager and another
- robust processes and systems

4.6 The importance of sound custody arrangements (TKU 9f)

Including adequate monitoring and correct record-keeping

4.7 The importance of responsible ownership of assets (TKU 9g)

Including:

- the extent to which environmental, social and ethical considerations are taken into account when making investment decisions
- the corporate governance of the companies in which the Committee invests
- the extent to which (if at all) the Committee will exercise its voting rights

4.8 The Myners principles for the governance of the investment decision-making process (TKU 9h)

Including:

- associated CIPFA & SOLACE guidance (CIPFA)
- the need to set targets for the Committee and to report against them (CIPFA)

4.9 An awareness of the limits placed by regulation on the investment activities of Local Government Pension Funds (CIPFA)

Section 5: Funding

This includes the principles relating to the way in which funding is dependent upon the value of both the assets and liabilities of the scheme.

5.1 How the funding for occupational defined benefit (DB) pension arrangements works in general and specifically for NILGOSC (TKU 4a)

Including different funding bases and their purpose

5.2 How liabilities are valued for different purposes (TKU 4b)

Including:

- the significance of future cash flows
- the importance of assumptions and their impact
- the volatility of the value of liabilities

5.3 How the market value of assets is assessed (TKU 4c)

5.4 Funding Measures (TKU 4d)

Including:

- the measurement of liabilities
- the setting of contributions (e.g. recovery plan in the event of deficit)

5.5 Potential risks to the ability of the scheme to pay benefits (TKU 4e)

Including:

- the financial instability of any scheme employer
- corporate restructuring (e.g. councils)
- transferring liabilities to a new employer
- unusually high salary increases
- the volatility of assets relative to liabilities

5.6 The importance of complete, accurate and up-to-date data and calculations (TKU 4f)

Including the need for robust processes and systems

5.7 The impact of Committee Members' powers (TKU 4g)

Including the financial impact of exercising discretions (e.g. augmentation of benefits)

5.8 The nature and status of professional advice (TKU 4h)

5.9 Transfers and bulk transfers in and out of schemes (TKU 4i)

Including the responsibility of the Committee to decide upon the calculation of transfer values

5.10 A broad understanding of the implications of admitting new employers into the Fund and of the cessation of existing employers (CIPFA)

5.11 Awareness of the importance of monitoring early and ill-health retirement strain costs (CIPFA)

Section 6: Contributions

This includes the principles relating to the funding of schemes and the way in which contribution levels are dependent upon the funding of the scheme.

- 6.1 The nature of the employer/committee member relationship and the effect of the scheme's funding level on the scheme employers (TKU 5a)**
- 6.2 The way in which the scheme employers admission agreements reflects their ability to fund the scheme (TKU 5b)**
- 6.3 The calculation of regular contributions to fund liabilities for future accruals (TKU 5c)**
- 6.4 The setting of special contributions for past service as required (TKU 5d)**
Including agreement on a recovery plan
- 6.5 Member contributions (TKU 5e)**
Including:
 - regular and additional contributions (e.g. AVCs and ARCs)
 - other concurrent member pension arrangements (e.g. FSAVCs, personal pensions and stakeholder pensions)
 - the timeliness of payments to the scheme
 - the importance of complete, accurate and up-to-date member records
 - the importance of robust systems and processes
- 6.6 The role of the scheme employers in the calculation and collection of member contributions (TKU 5f)**

Section 7: Governance and Administration

This includes the governance and administration responsibilities of the Committee in its dual role as a pension board and scheme manager, as set out in the TPR 'Code of Practice 14: Governance and Administration of Public Sector Pension Schemes'.

7.1 Role, responsibilities and duties of a pension board member under the TPR Code for Governance and Administration of Public Service Pension Schemes

Including:

- the role and remit of TPR
- the role, responsibilities and duties of a pension board, scheme manager and scheme advisory board
- how TPR's Code of Practice can assist the Committee with running an effective and efficient scheme

7.2 Knowledge and understanding required by pension board members

Including:

- the regulations, policies and documents required to be conversant with scheme rules and processes
- the range and extent of the law relating to pensions which applies to the LGPS Northern Ireland and a sufficient understanding of the content and effect of that law to recognise how and when it impacts on a pension board member's responsibilities and duties
- acquiring, reviewing and updating knowledge and understanding through the training needs assessment process

7.3 Conflicts of Interest

Including:

- what information pension board members need to disclose
- Code of Conduct for Committee Members
- how to disclose potential or actual conflicts of interest
- how to monitor and discuss the risk of potential or actual conflicts of interest

7.4 Publishing scheme information

Including:

- what information needs to be published about the pension board
- how that information is to be recorded and published
- the role of the Committee regarding the publication of that information

7.5 Risk management and internal controls

Including:

- Risk Management Policy, including risk appetite
- the internal controls in place and how they are managed
- how risk assessments are documented
- how possible fraudulent activity is identified and managed
- who is involved in internal controls and risk management and their role
- the role of the Committee in relation to internal controls and risk management

7.6 Record-keeping

Including:

- the record-keeping process
- how the required records of scheme members' data, transactions and pension board decisions are kept
- who is involved in record-keeping and their role
- the role of the Committee in relation to record-keeping

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7.7 Maintaining Contributions

Including:

- how employer and employee payment contributions will be monitored and recorded
- how late or failed payments which are likely to be of material significance to TPR will be reported
- The role of the Committee in maintaining contributions and notifying TPR of late or failed payments

7.8 Communicating with members

Including:

- what information must be provided to members about the administration of the scheme and their benefits
- how that information will be provided to members
- who is involved in member communications
- the role of the Committee in member communications

7.9 Resolving Disputes

Including:

- Decisions, Reviews and Complaints process
- how disputes and their resolutions are documented
- the role of the Committee in the resolution of issues and disputes

7.10 Reporting breaches of the law

Including:

- Breach Reporting Policy
- how to identify breaches of the law
- how breaches of the law will be assessed
- how breaches of the law likely to be of significance to TPR will be reported
- the responsibility of Committee Members to report breaches
- who else is under a duty to report breaches

Section 8: Scheme Documentation

Committee (pension board) Members must be conversant with their scheme rules, which are primarily found in the scheme regulations and documented administration policies currently in force for the scheme. Being 'conversant' means having a working knowledge of the scheme regulations and policies, so that members can use them effectively when carrying out their duties (Code of Practice 14: Governance & Administration of Pension Schemes). An updated list of scheme legislation, policies and documents considered necessary for Committee Members to be conversant with the LGPS NI is available in the Committee Member Handbook.

8.1 The Local Government Pension Scheme Regulations

Including:

- any subsequent amending documents
- the duties, powers and discretions of the Committee (TKU 10a)
- the balance of power between employers and the Committee, including when it is appropriate to exercise various Committee powers (TKU 10b)
- categories of members in the scheme, including eligibility for membership (TKU 10c)
- benefits offered, including the circumstances, both current and historic, under which they are payable, how they are calculated and how the payments are made (TKU 10d)

8.2 The Statement of Investment Principles (SIP)

Including:

- roles and responsibilities for preparing the SIP (TKU 11a)
- the scheme's investment objectives and asset allocation strategy (TKU 11b)
- the contents of the SIP, including legal and regulatory requirements covering the contents of the SIP (TKU 11c)
- monitoring and updating the SIP as appropriate (TKU 11d)

8.3 The Funding Strategy Statement (FSS)

Including:

- responsibilities for preparing the FSS (TKU 12a)
- the scheme's statutory funding objective (TKU 12b)
- contents of the FSS (TKU 12c)
- Monitoring the FSS, including regular monitoring and special review in the event of a change to the status of the scheme (TKU 12d)

8.4 Other Relevant Scheme Documents

Including:

- Scheme booklet, announcements and other member communications (TKU 13a)
- Principle contents of the most recent Actuarial valuation and subsequent actuarial advice. To include the valuation report and recovery plan (if appropriate), and summary funding statement (TKU 13b), as well as the importance of inter-valuation monitoring (CIPFA)
- Minutes of meetings, including policy decisions recorded in them and the requirement to publish minutes of Committee (pension board) meetings on the website (TKU 13c)
- Regular stewardship reports, including compliance issues (TKU 13d)
- Internal audit reports or reports of alternative internal checks, including checks on the adequacy and robustness of systems and on calculations used in individual member communications (TKU 13f)
- Annual report and accounts for the scheme and for the scheme employers. (TKU 13g)
- Any significant contract in respect of scheme assets, including contingent assets or guarantees and insurance policies (TKU 13h)

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- Any other significant agreement or contract, including those with delegated authorities or professional advisers and suppliers of services, e.g. contracts of appointments, service level agreements (TKU 13i)
- Any Committee approved procedures, including the internal disputes resolution procedure, conflicts of interest and risk management (TKU 13j)
- Statement of compliance with the Myners' Principles (where appropriate) (TKU 13k)
- Terms of reference of any sub-committee (where relevant) (TKU 13l)
- The Corporate Plan (TKU 13n)
- Schedule of meetings and a timetable for anticipated agenda items
- Job descriptions for the Chairperson and for the Committee Members (TKU 13o)
- Committee Member skills audit, training needs analysis and training log (TKU 13p)
- The whereabouts of all original documents and the arrangements for their custody, safekeeping and access (TKU 13q)