

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)
- iFRM.

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 of 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