

# **London Borough of Hillingdon Pension Fund**

## **Conflicts of Interest Policy**



HILLINGDON  
LONDON

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## **1. Introduction**

- 1.1 The Public Service Pensions Act 2013, Section 5(4) requires that any member of a Pension Board must not have a “conflict of interest”, which is defined in Section 5(5) as a “financial or other interest which is likely to prejudice the person’s exercise of functions as a member of the board, but does not include a financial or other interest arising merely by virtue of membership of the scheme or any connected scheme.”
- 1.2 This policy should be considered in the context that the Local Pension Board assists the administering authority in complying with regulations and is not a decision making body. It is not therefore anticipated that any significant conflict of interest will arise. This policy has been established as the agreed framework for Hillingdon Council, as the Scheme Manager of the Hillingdon Pension Fund to effectively apply the three step approach of identifying, monitoring and managing conflicts of interest.
- 1.3 Paragraph 76 of the Pension Regulators Code of Practice 14 (Governance and administration of public service pension schemes), (CoP 14) requires schemes to have an agreed documented conflict of interest policy that includes; identifying, monitoring and managing potential conflicts of interest. CoP 14 also requires the policy to contain examples of what may give rise to conflicts of interest, how a conflict might arise specifically in relation to a Pension Board member and the process that Pension Board members and scheme managers should follow to address a situation where board members are subject to a potential or actual conflicts of interest.
- 1.4 Scheme regulations require that the scheme manager must be satisfied that for a person to be appointed as a member of the Pension Board, they do not have a conflict of interest and must from time to time, confirm that none of the members of the Pension Board has a conflict of interest.
- 1.5 This policy will be regularly reviewed in accordance with the requirements of CoP14. Pension Board Members will also be required to declare any conflicts of interest at each Pension Board meeting. Any potential conflict will be recorded and it will remain a standing agenda item.
- 1.6 The Scheme will adopt the three stage approach to Identify, monitor and manage potential conflicts of interest as recommended in Cop14.

## **2 Identifying Conflicts of Interest**

- 2.1 A conflict of interest is a financial or other interest which is likely to prejudice a person’s exercise of functions as a member of the Pension Board. It does not include a financial or other interest arising merely by virtue of that person being a member of the scheme or any connected scheme for which the board is established.
- 2.2 Pension Board members, and people who are proposed to be appointed to the Pension Board, must provide the administering authority with information

that they reasonably require to be satisfied that Pension Board members and proposed members do not have a conflict of interest.

- 2.4 There is a regulatory duty on the Administering Authority to satisfy itself that those appointed to its Pension Board do not have an actual conflict of interest prior to appointment and 'from time to time'.
- 2.3 In order to meet this duty, Pension Board Members are required to complete a 'Declaration of Interest' before appointment to their role.

### **3 Monitoring and Reporting Conflicts of Interest**

- 3.1 Declaration of conflicts of interest will be included as an opening agenda item at each board meeting. This will provide an opportunity for those present to declare any interests, including other responsibilities, which have the potential to become conflicts of interest, and to minute discussions about how they will be managed to prevent an actual conflict arising. This conflict could be with a general subject area or a specific item on the agenda.
- 3.2 As part of their risk assessment process, Pension Board members should be able to identify, evaluate and manage dual interests which have the potential to become conflicts of interest and pose a risk to the scheme and possibly members, if they are not mitigated. The Scheme will evaluate the nature of any dual interests and assess the likely consequences were a conflict of interest to materialise.
- 3.3 A register of interests will be maintained, monitoring dual interests and responsibilities. Decisions about how to manage potential conflicts of interest will be recorded in the register of interests. The register of interests and other relevant documents will be circulated to the Pension Board for ongoing review and be published on the pension fund website

### **4. Managing conflicts of Interest**

- 4.1 Pension Board members are required to have a clear understanding of their role and the circumstances in which they may find themselves in a position of conflict of interest, and should know how potential conflicts should be managed.
- 4.2 The Pension Board is required to evaluate the nature of any dual interests and responsibilities, assess the impact on operations and governance were a conflict of interest to materialise, and seek to prevent a potential conflict of interest becoming detrimental to the conduct of the Pension Board. The 'Conflicts Register' can be provided to assist.
- 4.3 The Pension Board may consider seeking independent legal advice from a nominated officer (for example, the monitoring officer) or external advisers where necessary on how to deal with these issues, if appropriate.
- 4.4 Pension Board members are required to report to the Pension Fund Manager

- 4.4 Individual members of the Pension Board must know how to identify where they have a conflict of interest which needs to be declared and which may also restrict their ability to participate in meetings or decision making. They must also appreciate their legal duty under the Regulations to provide information to the Administering Authority in respect of such conflicts of interest.
- 4.5 Any individual who considers that they have a potential or actual conflict of interest which relates to an item of business at a meeting, must advise the Chair of the Pension Board prior to the meeting where possible, or state this clearly at the earliest possible opportunity in the meeting. A decision should then be reached on whether further action needs to be taken.
- 4.6 Options for managing an actual conflict of interest, should one arise, include:
- A member withdrawing from the discussion and any decision-making process;
  - The Board establishing a sub-board to review the issue (where the terms of reference give the power to do so); or
  - A member resigning from the Board if the conflict is so fundamental that it cannot be managed in any other way.

## **5 Examples of Conflicts of Interest**

- 5.1 For example, where an employer representative on the Board only acts in the interests of the Administering Authority, rather than in the interests of all participating employers.
- 5.2 For example an employer representative has access to information by virtue of his or her employment, which could influence or inform the considerations or decisions of the Pension Fund Committee or Pension Board. He or she has to consider whether to share this information in the light of their duty of confidentiality to their employer. Their knowledge of this information will put them in a position of conflict if it is likely to prejudice their ability to carry out their functions as a member of the Pension Fund Committee or Pension Board.
- 5.3 For example where a member representative (who is also a trade union representative) on the Board, only acts in the interests of their union rather than in the interest of all scheme members.