

London Borough of Hillingdon Pension Fund

Conflicts of Interest Policy



HILLINGDON
LONDON

Updated September 2021

Purpose

This conflicts of interest policy sets out the process for managing conflicts (including actual and potential conflicts as well as bias) in the operation and management of the London Borough of Hillingdon Pension Fund ('the Fund'). The aim is to provide guidance to the Fund's governing bodies and its officers on how to manage conflicts while undertaking their roles and to provide assurance to the Fund's members, employers and stakeholders that conflicts are appropriately managed.

This policy forms part of the Fund's good governance through encouraging transparency in the reporting of conflicts.

Scope

This policy applies to the Fund's Pension Committee, Pensions Board, officers, advisors, and suppliers and must be considered in light of their individual role.

In accepting any role covered by this Policy, those individuals agree that they must:

- Acknowledge any potential conflict of interest they may have
- Be open about any conflicts they may have
- Adopt and accept practical solutions to managing those conflicts (seeking advice from a relevant officer, as required)
- Plan ahead and agree how any conflicts may be managed.

Objectives

Through the appropriate management of this policy the Fund will:

- Meet the highest standards of good governance through demonstration of the key principles of transparency and accountability in the management of the Fund through clear responsibilities and reporting.
- Ensure that robust governance arrangements are in place, to facilitate informed decision making, supported by appropriate advice, policies and strategies.
- Act with integrity and be accountable to stakeholders for all decisions, ensuring they are robust, soundly based and do not unreasonably favour one group of stakeholders over another.
- Ensure the Fund complies with the appropriate legislation and Pension Regulator's Code of Practice.
- Deliver an efficient and effective pensions and financial administration service, which provides excellent value for money.

Public Standards

As a Local Government Pension Scheme, the Fund adheres to the Nolan Principles on Public Life, which are integral to the application, and success, of this policy.

Selflessness	Holders of public office should act solely in terms of the public interest.
Integrity	Holders of public office must avoid placing themselves under any obligation to people or organisations that might try inappropriately to influence them in their work. They should not act or take decisions in order to gain financial or other material benefits for themselves, their family, or their friends. They must declare and resolve any interests and relationships.
Objectivity	Holders of public office must act and take decisions impartially, fairly and on merit, using the best evidence and without discrimination or bias.
Accountability	Holders of public office are accountable to the public for their decisions and actions and must submit themselves to the scrutiny necessary to ensure this.
Openness	Holders of public office should act and take decisions in an open and transparent manner. Information should not be withheld from the public unless there are clear and lawful reasons for so doing.
Honesty	Holders of public office should be truthful.
Leadership	Holders of public office should exhibit these principles in their own behaviour. They should actively promote and robustly support the principles and be willing to challenge poor behaviour wherever it occurs.

Legislative Background

The Public Service Pensions Act 2013 defines a conflict of interest as a financial or other interest which is likely to prejudice a person's exercise of functions.

The Pension Regulator's Code of Practice requires LGPS Funds to have a conflict of interest policy which sets the controls for managing actual and potential conflicts in order to satisfy itself that no such conflicts exist in its governing bodies.

In addition, the Localism Act 2011 imposes a responsibility on all elected Councillors to declare and register pecuniary and non-pecuniary interests.

Actual conflicts are not permitted within the LGPS as it is unlikely these can be managed appropriately to prevent the conflict from having an impact. Anyone who has an actual conflict will therefore be excluded from the decision-making process, only potential conflicts can be managed.

What is a conflict?

A financial or other interest which is likely to prejudice a person's exercise of functions. A conflict can also include bias (actual or perceived). 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.

Employer representatives sitting on the Pensions Board may be conflicted if discussions regarding their employer are taking place; employer representatives will be required to declare their interest and leave the discussion in that scenario. Being an employer representative of itself, is not a conflict.

Actual bias is where it can be proven that a decision maker is, was or will be, prejudiced in favour of or against one decision over another.

Perceived bias is where there is a real possibility of bias. That possibility is judged on the standard reasonable test of whether "a reasonable man in possession of all facts would determine the individual to be biased".

When attending meetings of either the Pension Committee or the Pensions Board, persons sitting as a member of those groups must act in the interests of the Fund's members and employers. Members of the Pension Committee and Pensions Board must "leave their day job at the door" and must sit in the capacity of their membership of the Committee/Board.

Opinions may be expressed during the meeting which reflect the representative group, however decisions must be taken in the interests of all members and in the best interest of the Fund.

Managing conflicts

The Fund takes a 3- stage approach to managing conflicts of interests

- Identifying
- Monitoring
- Managing

Identifying

To assist Pension Committee, Pensions Board members and Officers identify when a conflict may arise, attached to this policy at Appendix One are some examples of conflicts. Ultimately, it will be the responsibility of the individual to identify if a conflict exists and to seek advice from the Fund's Head of Finance – Statutory Accounts & Pension Fund.

Elected Councillors who are members of the Pension Committee, under their own code of conduct, are required to declare interests at the point of their election.

Pensions Board members are required to complete a register of interests before being appointed to the Board.

These registers are published on the Council's website.

Monitoring

Declaration of interest will be included as an opening agenda item at each Committee and 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.

The register also protects the individual members who are responsible for deciding whether or not they should declare an interest in a meeting. It is also important that the public know about any interest that might have to be declared, so that decision making is seen by the public as open and honest. This helps to ensure that public confidence in the integrity of local governance is maintained.

Managing

Pension Committee and Pensions 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.

The Pension Committee and Pensions Board are 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 their conduct. The 'Conflicts Register' can be provided to assist.

The Pension Committee and Pensions 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.

Individual members of the Pension Committee and Pensions 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.

Any individual who considers 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 Committee or Board and the Head of Finance – Statutory Accounts & Pension Fund 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.

Options for managing an actual conflict of interest, should one arise, include:

- A member withdrawing from the discussion and any decision-making process;
- The Committee or 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 Committee or Board if the conflict is so fundamental that it cannot be managed in any other way.

Sensitive Interests

Members may be exempt from declaring their interests on a public register if it is determined to be a sensitive interest.

Sensitive information is defined as

“the nature of the interest is such that the member or co-opted member, and the authority's monitoring officer, consider that disclosure of the details of the interest could lead to the member or co-opted member, or a person connected with the member or co-opted member, being subject to violence or intimidation”

Advice should be sought from the Head of Finance – Statutory Accounts and Pension Fund where the possibility of a sensitive interest exists.

Appendix One – Examples of Conflicts of Interest

a. Investing to improve scheme administration versus saving money

An employer representative of the Pensions Board is aware that system X would help to improve standards of record-keeping, but it would be costly to implement. The Fund would need to meet the costs of the new system at a time when there is internal and external pressure to keep costs down. In order to meet the costs of the new system, the Fund would need to find money, perhaps by using a budget that was intended for another purpose or by increasing employer contributions. This decision could prove unpopular with employers. A conflict of interest could arise where the employer representative was likely to be prejudiced in the exercise of their functions by virtue of their dual interests.

b. Outsourcing an activity versus keeping an activity in-house

In an extension of the previous example, a member representative, who is also an employee of a participating employer, is aware that system X would help to improve standards of record-keeping in the scheme, but it would mean outsourcing an activity that is currently being undertaken in-house by their employer. The member representative could be conflicted if they were likely to be prejudiced in the exercise of their functions by virtue of their employment.

c. Representing the breadth of employers or membership versus representing narrow interests

An employer representative who happens to be employed by the administering authority and is appointed to the Pensions Board to represent employers generally could be conflicted if they only serve to act in the interests of the administering authority, rather than those of all participating employers. Equally, a member representative, who is also a trade union representative, appointed to the Pensions Board to represent the entire scheme membership could be conflicted if they only act in the interests of their union and union membership, rather than all scheme members.

d. Assisting the scheme manager versus furthering personal interests

- i. A Pensions Board member, who is also a scheme adviser, may recommend the services or products of a related party, for which they might derive some form of benefit, resulting in them not providing, or not being seen to provide, independent advice or services
- ii. A Pensions Board member who is involved in procuring or tendering for services for a scheme administrator, and who can influence the award of a contract, may be conflicted where they have an interest in a particular supplier, for example, a family member works there.

- e Sharing information with the Pensions Board versus a duty of confidentiality to an employer** An employer representative has access to information by virtue of their employment, which could influence or inform the considerations or decisions of the Pensions Board. They have to consider whether to share this information with the Pensions Board in 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 Pensions Board.
- f Acceptance of gifts**
An individual accepts the offer of a dinner invitation from a bidder or potential bidder to one of the Fund's outsourced contracts.
- g Investment decisions**
For example, stewardship related conflicts may arise as a result of business relationships between asset owners and asset managers, ownership structure of invested companies, differences between the stewardship policies of asset managers and their clients, cross-directorships, and client and other beneficiary interests which differ from each other.
- h Inter Fund and Council charges**
Cross charging for services or shared resourcing between the Council and the Fund.
- i Contribution rates**
Setting of employer contribution rates for the Council and other employers.