

London Borough of Hillingdon Pension Fund

Conflicts of Interest Policy



HILLINGDON
LONDON

March 2023

1. To whom this Policy Applies

This Conflict of Interest Policy applies to all Members of the Pensions Committee (PC), Local Pensions Board (LPB), all managers in the London Borough of Hillingdon Pension Fund Management Team, and the Corporate Director of Finance (Section 151 Officer) who are, from hereon in, collectively referred to as the senior officers of the Fund .

The Head of Pension, Treasury & Statutory Accounts will monitor potential conflicts for less senior officers involved in the daily management of the Fund and highlight this Policy to them as appropriate.

2. Legislative Context

The overriding requirements in relation to the management of potential or actual conflicts of interest for those involved in LGPS funds are contained in various elements of legislation and guidance. These are considered further below.

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.”

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 including but not limited to the consideration of actual or potential conflicts related to stewardship matters.

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.

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.

3. CIPFA Investment Pooling Governance Principles for LGPS Administering Authorities Guidance

The CIPFA governance principles guidance states "the establishment of investment pooling arrangements creates a range of additional roles that committee members, representatives, officers and advisers might have." It includes some examples of how conflicts of interest could arise in these new roles.

It highlights the need for Administering Authorities to:

- update their conflicts policies to have regard to asset pooling;
- remind all those involved with the management of the fund of the policy requirements and the potential for conflicts to arise in respect of asset pooling responsibilities; and
- ensure declarations are updated appropriately.

This Conflict of Interest Policy has been updated to take account of the possibility of conflicts arising in relation to asset pooling in accordance with the CIPFA governance principles guidance.

4. Localism Act 2011

All members of the Pensions Committee are required by the Localism Act 2011 to declare 'disclosable pecuniary interests' and to abide by Hillingdon Council's Code of Conduct for Members, which contains provisions relating to disclosure of interests.

5. The Seven Principles of Standards in Public Life

Sometimes referred to as the 'Nolan Principles', the seven principles of public life applies to anyone who holds public office. This includes people who are elected or appointed to public office, nationally and locally, and all people appointed to work in:

- the civil service;
- local government;
- the police;
- the courts and probation services;
- non-departmental public bodies; and
- health, education, social and care services.

The principles also apply to all those in other sectors that deliver public services.

Many of the principles are integral to the successful implementation of this Policy. The principles are as follows:

- selflessness;

- integrity;
- objectivity;
- accountability;
- openness;
- honesty; and
- leadership.

6. Advisors Professional Standards

Many advisers will be required to meet professional standards relating to the management of conflicts of interest, for example, the Fund Actuary will be bound by the requirements of the Institute and Faculty of Actuaries. Any Protocol or other document entered into between an adviser and the Administering Authority in relation to conflicts of interest, whether as a requirement of a professional body or otherwise, should be read in conjunction with this Policy.

7. Employees

In addition to the requirements of this Policy, officers of Hillingdon Council are required to adhere to the Hillingdon Council Code of Conduct, its Declarations of Interest Policy and its Gifts and Hospitality Policy which includes requirements in relation to the disclosure and management of potential or actual conflicts of interest or relationships (financial and non-financial) that may impact on their work.

Senior officers of the Fund will, as a matter of course provide advice and support on pension fund matters.

8. Advisers

The Administering Authority appoints its own advisers. There may be circumstances where these advisers are asked to give advice to scheme employers, or even to scheme members or member representatives such as the Trades Unions, in relation to pension matters. Similarly, an adviser may also be appointed to another administering authority which is involved in a transaction involving the Hillingdon Pension Fund and on which advice is required or to a supplier or organisation providing services to the Hillingdon Pension Fund.

An adviser can only continue to advise the Administering Authority and another party where there is no conflict of interest in doing so.

An adviser appointed to advise the Pensions Committee, Local Pensions Board or Fund officers can be the same person, as long as there is no conflict of interest between the multiple responsibilities.

This policy will be regularly reviewed in accordance with the requirements of CoP14 and also in accordance with the guidelines of the 2020 UK Stewardship code and any other regulations that apply.

Committee Members and Pension Board Members will also be required to declare any conflicts of interest at each respective Committee and Pension Board meeting. Any potential conflict will be recorded and it will remain a standing agenda item.

The Scheme will adopt the three stage approach to Identify, monitor and manage potential conflicts of interest as recommended in Cop14.

9. Identifying Conflicts of Interest

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 Committee or 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 Committee or Board is established.

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.

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'.

In order to meet this duty, Pension Board Members are required to complete a 'Declaration of Interest' before appointment to their role.

10. Monitoring and Reporting Conflicts of Interest

Declaration of conflicts 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.

As part of their risk assessment process, Pension Committee and 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.

A register of interests will be maintained, monitoring dual interests, conflicts in relation to stewardship and other 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

11. Managing conflicts of Interest

Pension Committee and 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.

The Pension Committee and Pension 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 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.

Individual members of the Pension Committee and 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.

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 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.

12. Examples of Conflicts of Interest

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.

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.

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.

For example where a member representative of the Committee has a personal or family relationship with a contract award entity.

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.

Approval, Review and Consultation

This Conflict of Interest Policy was approved on 22 March 2023 by the Pensions Committee. It will be formally reviewed and updated at least every three years or sooner if the conflict management arrangements or other matters included within it merit reconsideration, including if there are any changes to the LGPS or other relevant Regulations or Guidance which need to be taken into account.

Further Information

If you require further information about anything in or related to this Conflict of Interest Policy, please contact:

James Lake, Head of Pensions, Treasury & Statutory Accounts
London Borough of Hillingdon
Civic Centre
High Street
Uxbridge
UB8 1UW

E-mail - jlake@hillingdon.gov.uk
Telephone - 01895 277562