

## **PENSION FUND CONFLICTS OF INTEREST POLICY**

### **Introduction**

1. This paper presents the Committee with the proposed Conflicts of Interest Policy for the Fund.

### **Recommendation**

2. The Committee are requested to endorse the Conflicts of Interest Policy which, if approved, will come into immediate effect.

### **Background**

3. At the meeting in June 2021 the Committee received a report summarising the final recommendations from the Scheme Advisory Board's (SAB) Good Governance Review.
4. The June report presented an assessment of the Fund's governance arrangements alongside the SAB review recommendations. This showed the Fund's current practices are predominantly already compliant with the recommendations, but flagged some areas requiring further action. Several of these cannot proceed until the Department for Levelling Up, Housing and Communities (DLUHC) issue amending regulations and guidance but others can be progressed locally.
5. One such action is in response to the recommendation that each fund must produce and publish a conflicts of interest policy which includes details of how actual, potential, and perceived conflicts are addressed within the governance of the fund.

### **Conflicts of Interest Policy**

6. A Conflicts of Interest Policy for the Local Pensions Board has been in place since 2015. The core principles of that policy have informed the development of the proposed Fund wide policy attached at Appendix A.
7. The Conflicts of Interest Policy will apply to Committee and Local Pension Board members and to officers. It will also be provided to the Fund's key advisers and suppliers.
8. The Policy notes that elected members on the Committee and Local Pension Board are subject to their own local authority's Code of Member Conduct and the Policy does not supercede these requirements.
9. Nor does the Policy supecede the obligations on officers set out in Cheshire West and Chester Council's Code of Conduct for Employees.



10. The policy sets out the approach for identifying and managing actual and perceived conflicts of interest and covers: -
  - The Legal Background
  - The Nolan Principles of Public Life
  - General Principles & Objectives of the Policy
  - Persons to whom this Policy Applies
  - Examples of Conflicts of Interest
  - Operational Procedures
  - Perception of Conflicts of Interest
  - Confidential Information
  - Managing Conflicts of Interest
  - Adviser and Officer Conflicts
11. The Policy will build on existing processes, such as the annual declarations provided by Committee and Board members, as well as the requirement for disclosure of conflicts of interest at all Committee and Board meetings.
12. The Policy and its supporting procedures will be kept under regular review and will be referenced in the governance section of future Annual Reports for the Fund.





# Cheshire Pension Fund Conflicts of Interest Policy

Date xx 2021



## Conflicts of Interest Policy

### Contents

---

	<b>Page</b>
1. Introduction	3
2. The Legal Background	3
3. Nolan Principles	4
4. General Principles & Objectives	4
5. Persons to whom this Policy Applies	5
6. Examples of Conflicts of Interest	6
7. Operational Procedures	7
8. Perception of Conflicts of Interest	8
9. Confidential Information	9
10. Managing Conflicts of Interest	9
11. Adviser and Officer Conflicts	10
12. Review	10



## Conflicts of Interest Policy

### 1. Introduction

---

- 1.1 Cheshire West and Chester Council is the Administering Authority for the Cheshire Pension Fund, the name of the Local Government Pension Scheme in Cheshire.
- 1.2 The Administering Authority has established this Conflicts of Interest Policy to set out the process for identifying, monitoring and managing conflicts of interest in the governance and management of the Cheshire Pension Fund (the Fund).
- 1.3 Conflicts of interest have always existed for those with Local Government Pension Scheme (LGPS) administering authority responsibilities as well as for advisers to LGPS funds. This reflects the fact that many of those managing or advising LGPS funds will have a variety of other roles and responsibilities, for example, as an elected member of an employer participating in the LGPS or as an adviser to more than one LGPS administering authority.
- 1.4 Further, any of those persons may have an individual personal, business or other interest which might conflict, or be perceived to conflict, with their role managing or advising LGPS funds.
- 1.5 LGPS administering authorities have both fiduciary and public law duties to act in the best interest of both their LGPS beneficiaries and participating employers. This, however, does not preclude those involved in the management of the LGPS fund from having other roles or responsibilities which may result in an actual or potential conflict of interest.

### 2. The Legal Background

---

- 2.1 The Public Service Pensions Act 2013 defines a conflict of interest 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).”**
- 2.2 Regulation 108 of the Local Government Pension Scheme Regulations 2013 requires that: -  
**“Each administering authority must be satisfied that any person to be appointed as a member of a local pension board does not have a conflict of interest”**
- 2.3 The Public Service Pensions Act 2013 Act and the 2013 LGPS Regulations largely relate to managing conflicts of interest with respect to members of Local



## Conflicts of Interest Policy

Pension Boards. In the interests of best practice, this Policy will relate to all individuals involved in the management and governance of the Fund.

### 3. Nolan Principles

---

3.1 The Localism Act 2011 refers to the Seven Principles of Public Life, otherwise known as the 'Nolan Principles'. These apply to anyone who holds public office. This includes people who are elected or appointed to public office, nationally and locally. The principles are

- selflessness,
- integrity,
- objectivity,
- accountability,
- openness,
- honesty and
- leadership.

3.2 All the individuals to whom this Policy applies are expected to comply with these principles which are integral to the successful implementation of this Policy.

3.3 In addition, elected members are subject to their own local authority's code of conduct. Nothing in this Policy in any way supersedes or replaces any requirements under an elected member's own authority's code of conduct.

3.4 Officers involved in managing and governing the Fund are subject to Cheshire West and Chester Council's Employee Code of Conduct.

3.5 Declarations are required as part of the appointment process, as well as regular intervals to the Administering Authority's satisfaction, normally on an annual basis but, depending on the circumstances, maybe more frequent.

3.6 Declarations of interest are also made at each meeting of the Pension Fund Committee and Local Pension Board.

### 4. General Principles & Objectives

---

4.1 The basic principle in relation to conflicts of interest is that a member of the Local Pension Board, Pension Fund Committee or Fund Officer must not put themselves in a position where duty and personal interest conflict or where their duties to one conflict with their duty to another, unless expressly authorised.

4.2 The aim of this Policy is to provide guidance to members of the Pension Fund Committee, the Local Pension Board, officers, advisers and suppliers on how to manage conflicts when undertaking their roles in relation to the Fund.



## Conflicts of Interest Policy

- 4.3 It is also intended to provide assurance to the Fund's members, employers and wider stakeholders that conflicts are managed appropriately.
- 4.4 The Administering Authority's objective is to have effective governance arrangements which allow Pension Fund Committee, Local Pension Board, officers, and participating employers to discharge their responsibilities effectively and compliantly. The identification and management of conflicts of interest is integral to the Administering Authority achieving this governance objective for the Fund.
- 4.5 This Policy supports good governance, in conjunction with other Fund governance documents, encouraging transparency and minimising the risk of any matter prejudicing decision making or the management of the Fund.

## 5. Persons to whom this Policy applies

---

- 5.1 This Policy is established for the guidance of:
- All members of Pension Fund Committee (the Committee)
  - The Local Pension Board (the Board)
  - Senior Council officers involved in the governance and management of the Fund (the Chief Operating Officer, the Head of Pension Fund, members of the Pension Leadership Team, senior officers from Legal Services)
  - All advisers and suppliers to the Fund, whether providing advice or supplies to the Committee, the Board or Officers
- 5.2 The Head of Pension Fund will monitor potential conflicts for less senior officers involved in the daily administration of the Fund and highlight this Policy to them as they consider appropriate.
- 5.3 Cheshire West and Cheshire Council's Code of Conduct for Officers includes expected standards of conduct with respect to:
- accountability
  - personal interests
  - relationships with contractors
  - hospitality and gifts
- 5.4 In this Policy, reference to advisers includes all advisers, suppliers and other parties providing advice and services to the Pension Fund, including but not limited to:



## Conflicts of Interest Policy

- the asset pool operator
- dispute adjudicators
- actuaries
- investment consultants
- independent advisers
- benefits consultants
- third party administrators
- fund managers
- lawyers
- custodians
- AVC providers

- 5.5 Where an advisory appointment is with a firm rather than an individual, reference to 'advisers' is to the lead adviser(s) responsible for the delivery of advice and services to the Fund.
- 5.6 Many advisers are 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 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.
- 5.7 In accepting any role covered by this Policy, individuals agree that they must:
- acknowledge any potential conflict of interest they may have
  - be open with the Fund on any conflicts of interest they may have
  - adopt practical solutions to managing those conflicts (seeking advice from a relevant officer, as required)
  - plan ahead and agree with the Fund how any conflicts of interest may be managed.

## 6. Examples of Conflicts of Interest

---

- 6.1 Some examples of potential conflicts include: -
- A member of the Pensions Committee is on the board of, or has a local Ward interest in, an Investment Manager the Fund is considering appointing in an investment fund.
  - An officer or member of the Pension Fund Committee accepting hospitality and/or gifts from a potential adviser or supplier could be perceived as a potential or actual conflict of interest; particularly where a procurement exercise relating to those services is imminent.
  - An Employer representative on the Local Pension Board is employed by a company which also supplies services to the Administering Authority and the Local Pension Board is reviewing the standards of service provided by that company.



## Conflicts of Interest Policy

- The person appointed to consider internal disputes is asked to review a case relating to a close friend or relative.
- A member representative, who is also a trade union representative, appointed to the Local 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 in the interests of all scheme members.
- An officer of the Fund or member of the Pension Fund Committee accepts a dinner invitation from a Fund Manager, who has submitted a bid as part of a tender process.
- An Employer representative has access to information by virtue of their employment, which could influence or inform the considerations or decisions of the Local Pensions Board. They must consider whether to share this information 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 Local Pensions Board.

### Minor Gifts

- 6.2 For the purposes of this Policy, gifts such as t-shirts, pens, trade show bags and other promotional items obtained at events such as conferences, training events, seminars, and trade shows, that are offered equally to all members of the public attending the event do not need to be declared.
- 6.3 Officers and Members must declare personal gifts of more than £25 in accordance with the Council's Code of Conduct.

## 7. Operational procedures

---

- 7.1 For procedures to be effective all persons to whom the policy applies agree that they must:
- declare any actual or potential conflict of interest they may have,
  - be open with each other on any conflicts of interest they may have,
  - provide information reasonably requested to assess whether there is any
  - actual or potential conflict of interest,
  - adopt practical solutions; and
  - plan and agree on how they will manage any conflicts of interest which arise.
- 7.2 The following procedures have been adopted:



## Conflicts of Interest Policy

- a. To maintain a register of interests which could give rise to a conflict.
- b. To maintain a register of interests which could give rise to a conflict covering advisors.
- c. Each Person and advisor will sign an annual return confirming that their information contained in the register of interests is correct. The updated register will then be circulated to all Persons and the Administering Authority. These two events will be added to the agenda at the appropriate annual meeting.
- d. Declarations of interest will be made at the commencement of all Committee and Board meetings and will be recorded in the minutes of those meetings
- e. Any elected member of the Committee or Board who declares an interest at the commencement of a Committee or Board meeting will act thereafter in accordance with their authority's Code of Member Conduct.
- f. The Administering Authority's representative advising the Board will identify any potential or actual conflicts of interest and advise the Chair. The Chair in conjunction with the Administering Authority representative is to decide on the action required and to advise the Members of any actions taken.
- g. Any Person who feels that they, another Person or advisor has a conflict of interest must seek early advice from the Administering Authority.
- h. Any Person or advisor member of the Board must withdraw from a Board meeting if they have a conflict of interest. The conflict of interest and the action taken must be recorded in the minutes.
- i. If a conflict is identified outside a Committee or Board meeting, the Chair shall consult with the other Members prior to making a decision. The conflict of interest and the action taken must be recorded.

## 8. Perception of Conflicts of Interest

---

- 8.1 Committee and Board Members and Officers should be aware that even if no actual conflict of interest exists it is important to guard against the perception among, for example, Scheme members, the Pensions Regulator, or members of the public that a real conflict of interest exists.
- 8.2 If there is the possibility that a perceived conflict of interest may exist, it should be managed in the same way as a real conflict of interest.



## Conflicts of Interest Policy

### 9. Confidential Information

---

- 9.1 Any Person to whom this Policy applies may, by virtue of their role as an elected member or by being employed by an employing authority within the Fund, have access to confidential information about their local authority or employer. They are not obliged to reveal this information as part of their role on the Committee or Board.
- 9.2 However, if an affected person considers that the information to which they are privy may:
- 9.2.1 adversely affect the Fund or an employer within the Fund,
  - 9.2.2 reasonably cause the Committee or Board to interpret a decision differently or act in a different way were it to be known at the time and;
  - 9.2.3 the information will not be made available through some other means within such time as the Committee or Board is able to fully act upon it;
- 9.3 that party shall withdraw from all discussion in relation to that issue and notify the Committee or Board that a conflict of interest exists. The details of the conflict need not be disclosed. For example, this scenario may occur where a Person is aware of legally confidential negotiations around, for example, the takeover of a Fund employer which may radically alter that business and have a corresponding effect on its participation in the Fund or the size of its liabilities.

### 10. Managing Conflicts of Interest

---

- 10.1 If the Committee or Board is of the view that a potential conflict of interest may become an actual or perceived conflict in respect of one or more of its members the Committee or Board must determine the appropriate mechanism for managing that conflict.
- 10.2 The approach taken will depend on the nature and extent of the potential conflict. Some possible methods for the management of potential conflicts are given below:
- 10.2.1 Requiring that the Person for whom the conflict exists takes no part in discussions or does not vote in respect of the matter for which they are conflicted.
  - 10.2.2 If practical the Person may relinquish or divest themselves of a personal interest which is the source of a conflict of interest with their Fund responsibilities.



## Conflicts of Interest Policy

- 10.2.3 If the conflict is likely to be persistent and ongoing in such a way that it is likely to limit a Person's meaningful participation in the Committee or Board, that Person should consider resigning from their position.
- 10.2.4 The Administering Authority may remove any individual from the Local Pension Board where they consider there is an actual conflict of interest or a potential conflict, which it is impractical to manage.

## 11. Adviser and Officer Conflicts

---

- 11.1 The Committee and Board will be supported and advised by officers of the Fund in its day-to-day business. Similarly, the Committee will, and Board may if appropriate, receive independent or professional actuarial advice (including investment, actuarial, legal and governance).
- 11.2 The Committee and Board must be confident that the advice received from officers and advisers is independent and truly in the best interests of the Fund. For this reason, officers and advisers giving advice must also declare any situation where a potential, perceived, or actual conflict exists, in order that it can be appropriately managed.
- 11.3 All advisers must:
- be provided with a copy of this Policy on appointment and whenever it is updated
  - adhere to the principles of this Policy
  - provide, on request, information to the Head of Pension Fund in relation to how they will manage actual or potential conflicts of interest relating to the provision of advice or services to the Council in relation to the Fund; and
  - notify the Head of Pension Fund immediately should a potential or actual conflict of interest arise.
- 11.4 All potential or actual conflicts notified by advisers will be recorded in the Fund's Register of conflicts of interest.

## 12. Review

---

- 12.1 The Policy was approved by xx on xxx.
- 12.2 The Policy will be kept under review and will be revised 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 considered.

