

Royal Borough of Kingston upon Thames Pension Fund

CONFLICT OF INTEREST POLICY

(Approved by the Pension Panel 9 December 2021)

Pension Fund Conflict of Interest Policy

Introduction

The potential for 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 simply reflects the fact that many of those managing or advising LGPS funds will have a variety of other roles and responsibilities, for example as a member of the scheme, as an elected member of an employer participating in the LGPS, as an officer with responsibilities for or within a shared service or as an adviser to more than one LGPS administering authority. 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.

It is generally accepted that LGPS administering authorities have both fiduciary and public law duties to act in the best interest of both the scheme beneficiaries and participating employers. This, however, does not preclude those involved in the management of the fund from having other roles or responsibilities which may result in an actual or potential conflict of interest. Accordingly, it is good practice to document within a policy, such as this, how any such conflicts or potential conflicts are to be managed.

This is the Conflicts of Interest Policy of the Fund, which is managed by the Royal Borough of Kingston upon Thames (the Council). The Policy details how actual and potential conflicts of interest are identified and managed by those involved in the management and governance of the Royal Borough of Kingston upon Thames Fund (“the Fund”) whether directly or in an advisory capacity, and seeks to ensure consistency with the Council’s policies and codes.

This Conflicts of Interest Policy is established to guide the Pension Fund Panel members, Pension Board members, officers and advisers. It aims to ensure that those individuals do not act improperly or create a perception that they may have acted improperly. It is an aid to good governance, encouraging transparency and minimising the risk of any matter prejudicing decision making or management of the Fund otherwise.

This conflict of interest policy also identifies areas of potential conflict that are specific to the Local Government Pension Scheme (LGPS) that would be dealt with in the same manner as conflicts of interest under the Members’ codes of conduct and Employees’ codes of conduct.

Aims and Objectives

In relation to the governance of the Fund, the Administering Authority's objectives are to:

- Act in the best interests of the Fund’s members and employers

- Have robust governance arrangements in place, to facilitate informed decision making, supported by appropriate advice, policies and strategies
- Ensure the Fund is managed, and its services delivered, by people who have the appropriate knowledge and expertise
- Act with integrity and be accountable to stakeholders for all decisions, ensuring they are robust and well based
- Understand and monitor risk
- Strive to ensure compliance with the appropriate legislation and statutory guidance, and to act in the spirit of other relevant guidelines and best practice guidance
- Clearly articulate its objectives and how it intends to achieve those objectives through business planning, and continually measuring and monitoring success
- Ensure the confidentiality, integrity and accessibility of the Fund's data, systems and services is protected and preserved.

The identification and management of potential and actual conflicts of interest is integral to the Council achieving its governance objectives as the administering authority of the Fund.

To Whom This Policy Applies

This Conflict of Interest Policy applies to:

- All members of the Pension Fund Panel and the Pension Board, including scheme member and employer representatives, whether voting members or not.
- All managers in the Council's Fund Management Team,
- The Executive Director of Corporate and Communities (Section 151 Officer), and any other officer of the Royal Borough of Kingston upon Thames Council who has responsibilities relating to the Fund,
- All advisers and suppliers to the Fund, whether advising the Pension Board, Pension Fund Panel or Fund officers.

The Head of Pension Investments and the Governance Manager will monitor potential conflicts for officers involved in the daily management of the Fund and highlight this Policy to them as they consider appropriate.

This Policy and the issue of conflicts of interest in general must be considered in light of each individual's role, whether this is a management, advisory or assisting role and including responsibilities representing the Fund on other committees, groups and bodies.

In this Policy, reference to advisers includes all advisers, suppliers and other parties providing advice and services to the Council as the administering authority in relation to Fund matters. This includes but is not limited to actuaries, investment consultants, independent advisers, benefits consultants, third party administrators, shared service partners, fund managers, lawyers, custodians and AVC providers. 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 Council rather than the firm as a whole.

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 with the Council and any other body on which they represent the Council, on any actual or potential conflicts of interest they may have;
- adopt practical solutions to managing those conflicts; and plan ahead and agree with the Council how they will manage any conflicts of interest which arise in future.

The procedures outlined later in this Policy provide a framework for each individual to meet these requirements.

Legislative and Related 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 of this Act requires that the scheme manager (in the case of the Fund, this is the Administering Authority) must be satisfied that a Pension Board member does not have a conflict of interest at the point of appointment and from time to time thereafter. It also requires Pension Board members (or nominated members) to provide reasonable information to the Administering Authority for this purpose.

The Act 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).” [Further, the Act requires that the Council as administering authority must have regard to any such guidance that the national LGPS Scheme Advisory Board may issue (see below).

The Local Government Pension Scheme Regulations 2013

Regulation 108 of these Regulations applies the requirements of the Public Service Pensions Act (as outlined above) to the LGPS, placing a duty on the Council as administering authority to satisfy itself that Pension Board members do not have conflicts of interest on appointment or whilst they are members of the Board. It also requires those Pension Board members to provide reasonable information to the Administering Authority in this regard.

Regulation 109 states that each administering authority must have regard to guidance issued by the Secretary of State in relation to local pension boards. Further, regulation 110 provides that the national LGPS Scheme Advisory Board has a function of providing advice to administering authorities and local pension boards. The LGPS Scheme Advisory Board issued guidance relating to the establishment of local pension boards, including a section on conflicts of interest. This Conflicts of Interest Policy has been developed having regard to that guidance.

The Pensions Act 2004

The Public Service Pensions Act 2013 also added a number of provisions to the Pensions Act 2004 related to the governance of public service pension schemes and, in particular, conflicts of interest.

Section 90A requires the Pensions Regulator to issue a code of practice relating to conflicts of interest for pension board members. The Pensions Regulator has issued such a code and this Conflicts of Interest Policy has been developed having regard to that code.

Further, under section 13, the Pensions Regulator can issue an improvement notice (i.e. a notice requiring steps to be taken to rectify a situation) where it is considered that the requirements relating to conflicts of interest for local pension board members are not being adhered to.

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 Pension Fund Panel members, representatives, officers and advisors 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 Conflicts 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.

Localism Act 2011

Chapter 7 of the Localism Act 2011 requires local authorities to produce a code of conduct for members. All members and co-opted members of the Pension Fund Panel are required to register and declare 'disclosable pecuniary interests' and abide by the Council's Code of Conduct for Members. That Code contains provisions relating to Code Interests and Disclosable Pecuniary Interests, their disclosure and limitations on members' participation where they have any such interest.

The Seven Principles of Standards in Public Life

Sometimes known as the 'Nolan Principles', the seven principles of public life apply 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
- 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.

- Selflessness
- Integrity
- Objectivity
- Accountability
- Openness
- Honesty
- Leadership

Advisers' 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 Council in relation to conflicts of interest, whether as a requirement of a professional body or otherwise, should be read in conjunction with this Policy.

Administering Authority Requirements

Pension Fund Panel Members

Pension Fund Panel Elected Members and co-opted members of Royal Borough of Kingston upon Thames Council are required to adhere to the Council's Members' Code of Conduct ([RBK Council Constitution](#) - Part 5A) which includes requirements in relation to the disclosure and management of personal and prejudicial interests.

Pension Board Members

Pension Board members are required to adhere to the Members' Code of Conduct as per above which includes requirements in relation to the disclosure and management of personal and prejudicial interests.

Officers

Officers of the Council are required to adhere to the Council's Code of Conduct and Conflict of Interest Policy for Employees which includes requirements in relation to the disclosure and management of all potential conflicts of interests that may impact on their work or that of the Council.

Advisers and suppliers

Suppliers are required to declare any conflicts of interest when quoting or submitting a tender for any contract. The terms of contracts for all advisers and suppliers of the Fund will also include specific requirements around conflicts of interest deemed necessary for this specialised type of service.

Conduct at Meetings

There may be circumstances where a representative of employers or members wishes to provide a specific point of view on behalf of an employer (or group of employers) or member

(or group of members). The Administering Authority requires that any individual wishing to speak from an employer's or member's viewpoint must state this clearly, e.g. at a Pension Board or Pensions Fund Panel meeting, and that this will be recorded in the minutes.

What constitutes a Conflict or Potential Conflict of Interest and how will they be managed?

General Conflicts of Interest

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.

Conflicts of interest for Pension Board and Pension Fund Panel members

Conflict of interests as they apply to Pension Board and Pension Fund Panel members are defined in the Members' Code of Conduct. A conflict of interest is defined in the Public Service Pensions Act 2013 as: "in relation to a person, means a financial or other interest which is likely to prejudice the person's exercise of functions as a member of the Pension Board (but does not include a financial or other interest arising merely by virtue of membership of the scheme or any connected scheme)."

Conflicts of interest for Officers

Whilst finance and pensions administration staff are employed by the London Borough of Sutton, the shared service agreements require them to adhere to the Royal Borough of Kingston's conduct policies as well. Sutton Council's Code of Conduct for Employees sets out "All staff have a responsibility to ensure that their honesty and integrity are beyond criticism". Officers are also required to declare any outside interest under Section 7 of this Code and for Kingston Council's Code of Conduct, it is Section 14.

Conflicts of interest for advisers and suppliers

The terms of contracts for all advisers and suppliers of the Fund will specify what constitutes a conflict of interest and how it will be managed. 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 Fund and on which advice is required or to a supplier or organisation providing services to the Fund. An adviser can only continue to advise the Council and another party where there is no conflict of interest in doing so.

An adviser appointed to advise the Pension Fund Panel or Pension Board, or Fund Officers can be the same person as there is no conflict of interest between the multiple responsibilities.

Areas of potential conflict that are specific to the LGPS

These are areas of potential conflict that the Scheme Advisory Board identifies as specific to the LGPS. They apply to Pension Fund Panel and Pension Board Members, as well as officers, advisers and suppliers and are to be managed in the same way as other conflicts of interest under the relevant policy:

- Any commercial relationships between the administering authority or host authority and other employers in the fund/or other parties which may impact decisions made in the best interests of the fund. These may include shared service arrangements which impact the fund operations directly but will also include outsourcing relationships and companies related to or wholly owned by the Council, which do not relate to pension fund operations.
- Contributions setting for the administering authority and other employers.
- Cross charging for services or shared resourcing between the administering authority and the fund.
- Dual role of the administering authority as owner and client of a pool.
- Local investment decisions
- Any other roles within the Council being carried out by Pension Fund Panel members or officers which may result in a conflict either in the time available to dedicate to the fund or in decision making or oversight. For example, some roles on other finance committees, audit or health committees or finance should be disclosed.

Members of the Pension Board or Pension Fund Panel would need to consider whether they have a personal interest and whether that is prejudicial or pecuniary under the Members' Code of Conduct.

Officers would need to consider whether any of the above conflicts of interest apply to the Code of Conduct for Employees.

Advisers and suppliers to the Fund also need to consider whether any of the above conflicts of interest apply to the conflict of interest policy in their contract with the Administering Authority.

Therefore, a conflict of interest may arise when an individual:

- has a responsibility or duty in relation to the management of, or provision of advice to, the LGPS Fund administered by the Administering Authority,
- and at the same time has:
 - a separate personal interest (financial or otherwise) or
 - another responsibility in relation to that matter, giving rise to a possible conflict with their first responsibility.
 - An interest could also arise due to a family member or close colleague having a specific responsibility or interest in a matter.

Some examples of potential conflicts of interest relating to the areas of conflict specific to the LGPS are included in Appendix 1.

The Royal Borough of Kingston upon Thames Council, as Administering Authority, will encourage a culture of openness and transparency and will encourage individuals to be vigilant, have a clear understanding of their role and the circumstances in which they may have a conflict of interest. Royal Borough of Kingston upon Thames Council will evaluate the nature of any interests or responsibilities that are highlighted and assess the impact on pension fund operations and good governance were an actual conflict of interest to materialise.

Gifts and Hospitality

The Members' Code of Conduct sets out the policy with respect to gifts and hospitality. The Employee's further set out the rules regarding accepting gifts and hospitality for employees.

Managing Conflicts of Interest

Managing conflicts of interest for members of the Pension Board and Pension Fund Panel

The Members' Code of Conduct sets out the requirements around Members disclosing an interest at a meeting of the authority at which any matter relating to the business is considered, including circumstances where they do not have to disclose an interest. Each agenda of the Pension Board and Pension Fund Panel includes an agenda item seeking declarations of interest from members for all matters for discussion on the agenda.

The Members' Code of Conduct sets out the effect of prejudicial interests on participation at a meeting, including circumstances where they must withdraw from a meeting and where they may continue to attend a meeting but only for the purposes of making representations.

A Member declaring a personal, non prejudicial interest would not be expected to take any action.

The Members' Code of Conduct deals with the requirement for Members to register in the register of members' interests all personal interests and personal interests that are also disclosable pecuniary interests.

Managing conflicts of interest for officers

The Code of Conduct for Employees says all potential conflicts of interest must be declared before the activity commences or the issue arises. If an individual's circumstances change, it is their responsibility to immediately inform their manager and make a new declaration.

Annually, all Pension Fund staff will be required to declare potential conflicts of interest and required to complete an annual form, including where a NIL return has been made in the previous declaration.

Managing conflicts of interest for advisers and suppliers

The contract between the adviser and supplier and the Administering Authority will specify how conflicts of interest are managed. This will include all of the advisers and suppliers to the Royal Borough of Kingston upon Thames Pension Fund being expected to have their own policies on how conflicts of interest will be managed in their relationships with their clients, and these should have been shared with the Royal Borough of Kingston upon Thames Council.

Reporting conflicts of interest

Pension Fund Panel Members' Code of Conduct requires Members and co-optees of Royal Borough of Kingston upon Thames Council to complete a registration of interests form within 28 days of election or appointment to officer (where that is later) containing details of personal and pecuniary interests. A copy of the register of interest form is available on the Administering Authority's website and available to view on request.

Member Services officers will send an annual reminder to Members to review their registration of interests.

Any declarations of interest made at a Pension Fund Panel meeting will be recorded in the minutes.

Pension Board Members

Pension Board members are required to adhere to the Members' Code of Conduct. Members and co-optees of Royal Borough of Kingston upon Thames Council to complete a registration of interests form within 28 days of election or appointment to officer (where that is later) containing details of personal and pecuniary interests. A copy of the register of interest form is available to view on request.

Democratic Services officers will send an annual reminder to Board Members to review their registration of interests.

Any declarations of interest made at a Board meeting will be recorded in the minutes.

Officers

Annually, staff will be reminded of the need to declare potential conflicts of interest and required to complete an annual form, including where a NIL return has been made in the previous declaration. The officer's line manager/Human Resources will retain a copy of an officer's conflicts of interest declaration.

Responsibility

The Council as the scheme administering authority manager for the Royal Borough of Kingston upon Thames must be satisfied that conflicts of interest are appropriately managed. For this purpose, the Head of Pension Investments and the Pensions Governance Manager are the individuals responsible for ensuring the procedures outlined above are carried out.

However, it is the responsibility of each individual covered by this Policy to identify any potential instances where their personal, financial, business or other interests might come into conflict with their pension fund duties, to declare and register interests and seek advice and to withdraw from meetings if they are not complying.

Key risks

The key risks to the delivery of this Policy are outlined below. All of these could result in an actual conflict of interest arising and not being properly managed. The Head of Pension Investments and the Pensions Governance Manager will monitor these and other key risks and consider how to respond to them.

- Insufficient training or poor understanding in relation to individuals' roles on pension fund matters
- Insufficient training or failure to communicate the requirements of this Policy or the relevant codes of conduct referred to in this policy

- Absence of the individual nominated to manage the operational aspects of this Policy and no one deputising, or failure of that individual to carry out the operational aspects in accordance with this Policy
- A decision by an individual to disregard advice and be subject to formal action under the Localism Act 2011.

Costs

All costs related to the operation and implementation of this Policy will be met directly by the Royal Borough of Kingston upon Thames Pension Fund. However, no payments will be made to any individuals in relation to any time spent or expenses incurred in the disclosure or management of any potential or actual conflicts of interest under this Policy.

Effective date

This Policy was approved by the Royal Borough of Kingston upon Thames Pension Fund Panel on 9th December 2021.

Review

This policy is expected to be appropriate for the long-term but it will be reviewed every year to ensure it remains accurate and relevant.

Further Information

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

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Appendix 1

Examples of situations where a conflict of interest may arise:

<p>a) An employer representative on the Pensions Board may be required to consider a policy or covenant change which could result in an increase in employer costs by the employer he or she represents.</p>
<p>b) A member of the Pension Fund Panel is on the board of an Investment Manager that the Pension Fund Panel is considering appointing.</p>
<p>c) A Pension Fund Panel or Pensions Board member is a beneficiary of the Royal Borough of Kingston upon Thames Pension fund and a discussion item as a result of legislative change could affect members benefits.</p>
<p>d) An officer of the Pension Fund also has responsibilities within the administering authority or relating to a shared service initiative which provides services to the Fund, and which has objectives which are not fully aligned to that of the Fund.</p>
<p>e) An employer representative on the Pension Board is employed by a company to which the Council has outsourced its pension administration services and the Pension Board is reviewing the standards of service provided by that company.</p>
<p>f) The person appointed to consider internal disputes is asked to review a case relating to a close friend or relative.</p>
<p>g) The Pension Fund is considering alternative supply of services currently provided by the Administering Authority. The Executive Director of Corporate and Communities who has responsibility for the Council budget, is expected to approve the report to go to the Pension Fund Panel which, if agreed, would result in a material reduction in the recharges to the Council from the Fund.</p>
<p>h) Officers are asked to provide a report to the Pension Board or Pension Fund Panel on whether the administration services should be outsourced which, if it were to happen, could result in a change of employer or job insecurity for the officers.</p>
<p>i) An employer representative appointed to the Pension Board to represent employers generally could be conflicted if he or she only serves to act in the interests of their own authority/organisation, rather than those of all participating employers. Equally, a member representative, who is also a trade union representative, appointed to the Pension Board</p>

to represent the entire scheme membership could be conflicted if he or she only acts in the interests of their union and union membership, rather than all scheme members.

j) A Fund adviser is party to the development of a strategy which could result in additional work for his or her firm, for example, selection of new investment managers, providing assistance with monitoring the covenant of employers or where they are also advisers to London CIV .

k) An employer or employee representative has access to information by virtue of his or her employment, which could influence or inform the considerations of the Pension Board. He or she has to 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 Pension Board.

l) An officer of the Fund or member of the Pension Fund Panel accepts a dinner invitation or gift from an Investment Manager who has submitted a bid as part of a tender process