

APPENDIX B

LONDON BOROUGH OF CROYDON PENSION FUND

CONFLICTS OF INTEREST POLICY

Introduction

1. This is the Conflicts of Interest Policy (Policy) for the London Borough of Croydon Pension Fund (Fund) of which the Council is the Administering Authority. The Policy details how actual and potential conflicts of interest are identified and managed by those involved in the management and governance of the Fund whether directly or in an advisory capacity.
2. The potential for conflicts of interest has always existed for those with Local Government Pension Scheme (LGPS) administering authority responsibilities and 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 a member of the LGPS, as an elected member or board member of an employer participating in the LGPS or indeed as an adviser to more than one administering authority. Furthermore, any of those persons may have a personal, business or other interest which might conflict, or be perceived to conflict, with their role managing or advising LGPS funds.

Purpose and objectives

3. This Policy applies to the Pension Committee members, Pension Board members, officers and advisers. Along with other constitutional documents, including the Member and Officer Codes of Conduct, 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.
4. The Council recognises that its functions as an Administering Authority, managing the Fund, can be quite different from its other functions and this policy has been developed with the specific requirements of Fund governance in mind. The Fund's "governance" objectives are set out in its Governance Policy Statement and prominent amongst them is that the Fund manages conflicts of interest appropriately.

To whom this Policy applies

5. This Policy and the issue of conflicts of interest in general must be considered in the light of each individual's role. The Policy applies to:
 - all members of the Pension Committee (including Reserve Members) and the Pension Board, including LGPS member and employer representatives and co-optees, whether voting members or not;

- any member of the Pension Committee or Pension Board whilst representing the Fund on other committees, groups or bodies;
 - all employees of the Administering Authority involved in the management, administration and governance of the Fund; and
 - all advisers to the Fund whether advising the Pension Committee, the Pension Board or Fund officers.
6. In this Policy, reference to advisers includes all advisers, suppliers and other parties providing advice and services to the Administering Authority in relation to Fund matters. These include, but are not limited to, actuaries, investment consultants, governance consultants, independent advisers, benefits consultants, third party administrators, investment managers, lawyers, custodians, officers of the London CIV and AVC providers.
 7. 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 Administering Authority rather than the firm as a whole.
 8. In accepting any role covered by this Policy, those individuals agree that they must:
 - acknowledge and declare any potential conflict of interest they may have;
 - be open with the Administering Authority 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 Administering Authority how they will manage any conflicts of interest which may arise in future.
 9. The procedures outlined later in this Policy provide a framework for each individual to meet these requirements.

Legislative and related context

10. 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, guidance and professional standards as set out in Annex 1.

Administering Authority specific requirements

Pension Committee members

11. In addition to the requirements of this Policy, Committee members and the voting co-opted member are required to adhere to the "Constitution of the London Borough of Croydon" Part 5.I (Members' Code of Conduct) and non-voting co-opted Members to Part 6.D of the Constitution (Scheme of Co-option).

Pension Board Members

12. In addition to the requirements of this Policy, Pension Board members are required to adhere to the "Constitution of the London Borough of Croydon" Part 4.M "Local Pension Board Procedure Rules."

Employees

13. In addition to the requirements of this Policy, officers of the Council are required to adhere to the Staff Code of Conduct.

Advisers

14. The Administering Authority appoints its own advisers. How conflicts of interest will be identified and managed should be addressed within the contractual arrangements.
15. There may be circumstances where advisers are asked to give advice to the Council as an employer, other employers, LGPS 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. An adviser can only continue to advise the Administering Authority and another party where there is no conflict of interest in doing so.
16. Where the Pension Board decides to appoint an adviser, this can be the same person as is appointed to advise the Pension Committee or Fund officers if there is no conflict of interest between the two roles.

London CIV Conflict of Interest requirements

17. One of the potential areas of conflict covered by this Policy is investment pooling. A proportion of the Fund's assets are invested through the London CIV. Any members of the Pension Committee or senior officers of the Fund who are members of the Board of the London CIV or its Shareholder Committee must also comply with any requirements relating to the management of actual or potential conflicts of interest for the governance of the London CIV.

Conduct at Meetings

18. 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 Pension Committee meeting, and that this is recorded in the minutes.

What is a Conflict or Potential Conflict and how will it be managed?

19. 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.

Therefore, a conflict of interest may arise when an individual has a responsibility or duty in relation to the management of the Fund 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.

20. An interest could also arise due to a family member or close colleague having a specific responsibility or interest in a matter.

21. One of the key areas of potential conflict relates to the dual roles held by those employed by or representing the Council as the Administering Authority to the Fund and as a participating employer in the Fund.

22. The "Members' Code of Conduct Guidance", part of the "Members' Code of Conduct" (see paragraph 26 above) included in the Constitution includes various worked examples of where conflicts could arise. Annex 2 provides examples specific to Fund activities.

23. The Council encourages a culture of openness and transparency, including in relation to its activities as Administering Authority. It encourages individuals to be vigilant and to have a clear understanding of their role, the circumstances in which they may have a conflict of interest and how potential conflicts should be managed. One way of managing conflict where the Council has a dual role of Employer and as the Administering Authority, is to create an 'Ethical Wall' whereby a set of officers would act of behalf of the Council as employer and one would act on behalf of the Council as the Administering Authority. The Head of Pensions and Treasury, with advice from the Monitoring Officer as required, will evaluate the nature of any dual interests or responsibilities that are highlighted and assess the impact on Fund operations and good governance were an actual conflict of interest to materialise. Anyone with concerns as to how the Policy is operating can report them through the Council's Whistleblowing procedure.

24. Under the Members' Code of Conduct Appendix B Clause 4:

*Where a matter arises at a meeting which directly relates to one of your Disclosable Pecuniary Interests as set out in **Table 1**, you must disclose the interest, not participate in any discussion or vote on the matter and must not remain in the room unless you have been granted a dispensation. If it is a 'sensitive interest', you do not have to disclose the nature of the interest, just that you have an interest. Dispensation may be granted in limited circumstances, to enable you to participate and vote on a matter in which you have a disclosable pecuniary interest.*

The Administering Authority has a similar approach and so that it can fulfil its obligations to manage and monitor potential conflicts of interests, the Pension Committee and the Pension Board must include an item on conflicts of interest at each meeting, applying to all those attending, which will require consideration of actual or potential conflicts relevant to the Fund, even if not a disclosable pecuniary interest or other registrable interest under the Members' Code of Conduct.

25. Provided that the Administering Authority, (having taken any professional advice deemed to be required) is satisfied that the method of management is satisfactory, the Council shall endeavour to avoid the need for an individual to have to resign due to a conflict of interest. However, where the conflict is considered to be so fundamental that it cannot be effectively managed, or where a Pension Board member has an actual conflict of interest as defined in the Public Service Pensions Act 2013, the individual will be required to resign from the Committee, Board or appointment.

Responsibility

26. The Administering Authority must be satisfied that conflicts of interest are appropriately managed. For this purpose, the Head of Pensions and Treasury is the designated individual for ensuring the procedure outlined below is adhered to. Where required, the Head of Pensions and Treasury will seek advice from the Monitoring Officer. 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 Fund duties.

Operational procedure for officers, Pension Fund Committee members, Pension Board members and advisers

27. The Fund operates a Register of Conflicts of Interests for the recording of all declarations of interest. The format of the register is set out in Annex 3.
28. Details of how potential conflicts of interest should be identified and managed are set out below:

What is required	How this will be done
Step 1 - Initial identification of interests which do or could give rise to a conflict	<p>On appointment to their role or on the commencement of this Policy if later, all relevant individuals will be provided with a copy of this Policy and will be required to complete a Disclosure of Interests form.</p> <p>The information contained in disclosures will be collated into the Fund's Register of Interests. Each individual is responsible for maintaining their register on a continuous basis.</p>

<p>Step 2 - Ongoing notification and management of potential or actual conflicts of interest</p>	<p>Where possible, any conflicts should be advised in writing to the Head of Pensions and Treasury before the start of any Committee, Board or other Fund meeting. At the commencement of each Pension Committee, Pension Board or other formal meeting where Fund matters are to be discussed, the Chair will ask all those present who are covered by this Policy to declare any new potential conflicts. Any disclosures will be recorded in the minutes of the meeting and in the Fund's Register of Interests. In addition, the latest version of the Register will be made available by the Head of Pensions and Treasury to the Chair of every meeting prior to that meeting if required.</p> <p>The Chair, in consultation with the relevant officers will decide whether the conflicted or potentially conflicted individual needs to leave the meeting during the discussion on the relevant matter or to withdraw from voting on the matter.</p> <p>If such a conflict is identified outside of a meeting the notification must be made to the Head of Pensions and Treasury and, where it relates to the business of any meeting, also to the Chair of that meeting. The Head of Pensions and Treasury, in consultation with the Chair and with the advice of the Monitoring Officer where relevant, will consider any necessary action to manage the potential or actual conflict.</p> <p>Where information relating to any potential or actual conflict has been provided, the Head of Pensions and Treasury may seek such professional advice as he or she thinks fit on to how to address any identified conflicts.</p> <p>Any such potential or actual conflicts of interest and the action taken must be recorded on the Fund's Register of Interests and in the minutes of the meeting, if raised during a meeting.</p>
<p>Step 3 - Periodic review of potential and actual conflicts</p>	<p>At least once every 12 months, the Head of Pensions and Treasury will provide to all individuals to whom this Policy applies a copy of their currently declared Pension Fund Register of interests. All individuals will confirm in writing that their information is correct or highlight any changes that need to be made</p>

Operational procedure for advisers

29. All of the Fund's key advisers are expected to have their own policies on how conflicts of interest in their relationships with their clients are managed and these should be shared with the Administering Authority.
30. Although this Policy applies to advisers, the operational procedures outlined above relating to completing ongoing disclosures are not expected to apply to advisers. Instead 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 in relation to how they manage and monitor actual or potential conflicts of interests relating to the provision of advice or services to the Fund.; and
 - notify the Head of Pensions and Treasury immediately should a potential or actual conflict of interest arise, including declaring such actual or potential conflicts at the beginning of Pension Committee and Pension Board meetings
31. All potential or actual conflicts notified by advisers will be recorded in the Fund's Register of Interests.

Monitoring and Reporting

32. In order to identify whether the objectives of the Policy are being met the Head of Pensions and Treasury will review the Register on an annual basis and consider whether there have been any potential or actual conflicts of interest that were not declared at the earliest opportunity.

Key Risks

33. The key risks to the delivery of the Policy are outlined below.
- insufficient training or poor understanding in relation to individuals' roles on Fund matters;
 - insufficient training or failure to communicate the requirements of the Policy;
 - absence of the individual nominated to manage the operational aspects of the Policy and no one deputising, or failure of that individual to carry out the operational aspects in accordance with the Policy; and
 - failure by a relevant Chair to take appropriate action when a conflict is highlighted at a meeting.
34. All of these could result in an actual conflict of interest arising and not being properly managed. The Head of Pensions and Treasury will monitor these and other key risks and consider how to respond to them.

Approval, review and consultation

35. This Policy was approved by the Pension Committee on 19 September 2023. 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 considered.

Further Information

36. If you require further information about anything in or related to this Policy, please contact:

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Further information on the London Borough of Croydon Pension Fund can be found at:
pensions@croydon.gov.uk

Annex 1

Legislation, Guidance and Professional Standards

The Public Service Pensions Act 2013

1. Section 5 of the Act requires that the scheme manager (in the case of the LGPS 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 scheme manager for this purpose.
2. 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 LGPS or any connected scheme).”
3. Further, the Act requires that LGPS managers must have regard to any such guidance that the national Scheme Advisory Board issue (see below).

The Local Government Pension Scheme Regulations 2013

4. Regulation 108 of these Regulations applies the requirements of the Public Service Pensions Act 2013 to the LGPS, placing a duty on each 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.
5. Regulation 109 states that each administering authority must have regard to guidance issued by the Secretary of State in relation to pension boards. Further, regulation 110 provides that the national Scheme Advisory Board has a function of providing advice to administering authorities and pension boards. The LGPS national Scheme Advisory Board issued guidance relating to the establishment of pension boards including a section on conflicts of interest. This Policy has been developed having regard to that guidance.

The Pensions Act 2004

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

7. 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 Policy has been developed having regard to that Code.
8. 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 pension board members are not being adhered to.

Localism Act 2011

9. All members and co-opted members of the Pension Committee are required by the Localism Act 2011 to register and declare 'disclosable pecuniary interests' and 'other registerable interests' and abide by Croydon Council Members' Code of Conduct. That Code contains provisions relating to disclosable pecuniary interests, other registerable interests, non-registerable interests and sensitive interests including their disclosure and any limitations on members' participation where they have any such interest.

CIPFA Investment Pooling Governance Principles for LGPS Administering Authorities Guidance

10. This Guidance states:

"the establishment of investment pooling arrangements creates a range of additional roles that committee members, representatives, officers and advisors might have."

11. It includes some examples of how conflicts of interest could arise in these new roles and 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;
 - ensure declarations are updated appropriately.
12. This 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.

Principles of Public Life

13. The Seven Principles of Public Life, otherwise known as the "Nolan Principles," apply to anyone who works as a public office holder. They cover everyone elected or appointed to an office within local government and many are integral to the successful implementation of this Policy. They are as follows:

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

Advisers' Professional Standards

14. Many advisers are required to meet professional standards relating to the management of conflicts of interest, for example, the Fund Actuary is bound by the requirements of the Institute and Faculty of Actuaries. Any protocol or other arrangement 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.

Annex 2

Examples of Potential Conflicts of Interest

- a) An elected member on the Pension Committee may be required to provide views on a funding strategy which could result in an increase or decrease in employer contributions payable by the employer he or she represents.
- b) An elected member on the Pension Committee may be a member of a political party that has specific areas of interest that might influence Fund decision making.
- c) In considering actuarial advice and reports Committee members have an overriding responsibility to protect the long-term solvency of the Fund which could conflict with short-term budgeting priorities of individual employers.
- d) A member of the Pension Committee is on the board of, or employed by, an Investment Manager or other supplier that the Committee is considering appointing.
- e) An employer representative on the Pension Board is employed by a company to which the administering authority has outsourced its pension administration services and the Pension Board is reviewing the standards of service provided by that company.
- f) The person appointed to consider internal disputes is asked to review a case relating to a close friend or relative.
- g) The administering authority is considering buying its own payroll system for paying pensioners, rather than using the payroll system used for all employees of the Council. The Director of Finance, who has responsibility for the Council budget, is expected to approve the report to go to the Pension Committee which, if agreed, would result in a material reduction in the charges to the Council from the Fund.
- h) An employer representative may be aware of a system which would help to improve standards of service and/or record keeping but would be expensive to implement and lead to increased contribution rates. A conflict could arise through the representative's dual interests.
- i) Officers of the Fund are asked to provide a report to the Pension Committee or Pension Board 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 themselves.
- j) An employer representative employed by the administering authority and appointed to the Pension Board to represent employers generally could be conflicted if he or she only serves 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 Pension Board 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.
- k) A Fund adviser is party to the development of a strategy which could result in additional work for his or her firm, for example, providing delegated or fiduciary management of Fund investments, providing assistance with monitoring the covenant of employers.

l) 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 Committee or 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 Committee or Pension Board.

m) An officer of the Fund or member of the Pension Committee accepts hospitality from an Investment Manager or other supplier who has submitted a bid as part of a tender process.

n) An officer or member, serving on a committee/group of the London CIV may be called upon to consider the appointment of an investment manager or other supplier who already supplies services to their administering authority.

