

<b>Title of Report</b>	Conflicts of Interest Policy Review
<b>For Consideration By</b>	Pensions Committee
<b>Meeting Date</b>	22/11/2022
<b>Classification</b>	Public
<b><u>Ward(s) Affected</u></b>	All
<b><u>Group Director</u></b>	Ian Williams, Group Director Finance & Corporate Resources

## **1. Introduction**

- 1.1 The Conflicts of Interest Policy guides all Pension Committee members, Pension Board members, officers, and advisers on how actual and potential conflicts of interest in relation to the management of the Hackney Pension Fund are identified and managed.
- 1.2 This report includes the Fund's Conflicts of Interest Policy which has been reviewed and updated. This policy is reviewed every three years (or sooner if required, for example, due to changes in legislation). The Policy has reached the review date and has had some recommended updates as set out in this cover report.

## **2. Recommendations**

- 2.1 **The Pensions Committee is recommended to:**
- **Approve the updated Conflicts of Interest Policy**

## **3. Related Decisions**

- 3.1 Pensions Committee 18<sup>th</sup> December 2019 – last update of Conflicts of Interest Policy

## **4. Comments of the Group Director of Finance and Corporate Resources.**

- 4.1 Proper management of conflicts of interest helps to reduce financial risk to the Pension Fund by promoting fair and transparent relationships with Funds stakeholders. It also ensures the key objective to pay scheme members benefits when they fall due is not put at risk by potential conflicts. Maintaining a Conflicts of Interest Policy provides a framework for disclosure and management of potential conflicts and represents good practice.
- 4.2 The LGPS Scheme Advisory Board (SAB) Good Governance review

recommended that each Fund should have a published Conflicts of Interest Policy and this recommendation is currently being considered by the Department of Levelling Up, Housing and Communities.

## **5. Comments of the Director of Legal, Democratic and Electoral Services**

- 5.1 Regulation 108 of the Local Government Pension Scheme regulations requires administering authorities to satisfy themselves that none of its members of the Local Pension Board has a conflict of interest. This sets out a clear legislative framework to manage conflicts of interest within the Pension Board. It is good practice for this approach to be extended to Pension Committee members and senior officers of the Fund and this may become a legal requirement, or at least included in statutory guidance, as part of the LGPS SAB Good Governance review .
- 5.2 Paragraph 14 of the Pension Committee's terms of reference states that the Committee's role is to review the Pension Fund's policy and strategy documents on a regular cycle and Paragraphs 1 and 2 clarify the Pension Committee's responsibilities to act as trustees and Scheme Manager for the Hackney Pension Fund. Taking these responsibilities into account, consideration of the Fund's Conflicts of Interest Policy would appear to sit within the remit of the Pensions Committee.
- 5.3 There are no immediate legal implications arising from this report.

## **6. Background to the report**

- 6.1 The Good Governance review's final report was issued in February 2021<sup>1</sup>. This recommended that each Fund should have a published Conflicts of Interest Policy which clearly outlines how the Fund identifies, manages and monitors conflicts including areas of potential conflict.
- 6.2 The Pensions Regulator's current Code of Practice 14<sup>2</sup> also provides guidance on how Conflicts of Interest should be managed, and the Fund's Conflicts of Interest Policy takes into consideration TPR's guidance as well as overriding legislative requirements.

## **7. Conflicts of Interest Policy**

- 7.1 The Local Government Pension Scheme Regulations 2013 and the Pensions Regulator's (TPR) Code of Practice set out that members of the Pension Board should not have a conflict of interest in respect of their duties as members of the Board. In addition, the TPR guidance provides for how such conflicts can be identified, monitored, and managed.
- 7.2 Whilst the legal requirements around conflicts of interest relate specifically to the members of the Pension Board, the attached draft Conflicts of Interest Policy (appendix 1 to this report) has been widened to include Pension

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<sup>1</sup> [Good Governance Final Report February 2021.pdf \(lgpsboard.org\)](#)

<sup>2</sup> [Code 14 Public service pension code of practice | The Pensions Regulator](#)

Committee members, Fund officers and the Fund's advisers. This is in line with the LGPS SAB Good Governance review which was undertaken during 2019 to 2021 and resulted in a number of recommendations including the following relating to conflicts of interest policies:

*"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, including reference to key conflicts identified in the Guidance".*

The Guidance referred to is statutory guidance which is expected to be published by DLUHC. DLUHC are currently considering the recommendations from SAB's Good Governance review and have said that they intend to consult on requirements during 2023.

- 7.3 A conflict of interest is defined, for Pension Board members, as a financial or other interest which is likely to prejudice a person's exercise of functions. This definition has been adopted more generally for the Fund's Policy. 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.

## **8. Hackney Pension Fund - Actions Taken**

- 8.1 The Conflicts of Interest Policy for the Hackney Pension Fund at Appendix 1 to this report was first formally approved for the London Borough of Hackney Pension Fund at its meeting in March 2015 and updated versions were approved in March 2019 and December 2019. This update is part of the program of regular reviews as set out in the Pension Fund's Business Plan.
- 8.2 The proposed updates to the policy are highlighted with proposed new text shown in yellow and text to be removed scored through. There are no material changes to highlight. The proposed changes are summarised as follows:
- Adding a contents section to make the Policy easier to navigate
  - Clarifying that the Policy applies equally to potential conflicts of interest as well as actual conflicts of interest
  - Updating the governance objectives as outlined in the Fund's 2022/23 Business Plan
  - Adding a section on minor gifts and hospitality as per the Council's constitution
  - Adding a section on the London CIV to recognise the London Borough of Hackney's role as a shareholder as well as a client of the London CIV
  - Some minor changes to the ordering and grammar to be consistent with other Fund policies
  - Updating contact details

## Appendices

### Appendix 1 - Draft Conflicts of Interest Policy

## Background documents

None

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