

WEST MIDLANDS PENSION FUND

CONFLICTS OF INTEREST POLICY

Introduction

The West Midlands Pension Fund is one of the UK's largest pension funds, managing and administering the pension interests of over 320,000 members with more than 650 scheme employers.

The Fund is governed by the Pension Committee assisted by the Local Pension Board.

More information on the Fund's Governance structure can be found in its Governance Compliance Statement.

Purpose

This conflicts of interest policy sets out the process for managing conflicts (including actual and potential conflicts as well as bias) in the operation and management of the Fund. The aim is to provide guidance to the Fund's governing bodies and its officers on how to manage conflicts while undertaking their roles and to provide assurance to the Fund's members, employers and stakeholders that conflicts are appropriately managed.

Read in conjunction with the Fund's Governance Compliance Statement and other governing policies, the conflict of interest policy aims to ensure that the Fund and parties involved in its governance and operations do not act improperly or create the perception that it may have acted improperly in the performance of its functions.

This policy forms part of the Fund's good governance through encouraging transparency in the reporting of conflicts.

Scope

This policy applies to the Fund's Pension Committee (including trade union observers), Local Pension Board, officers, advisors and suppliers and must be considered in light of their individual role.

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 about any conflicts they may have
- Adopt and accept practical solutions to managing those conflicts (seeking advice from a relevant officer, as required)
- Plan ahead and agree how any conflicts may be managed.

Objectives

Through the appropriate management of this policy the Fund will:

- Meet the highest standards of good governance through demonstration of the key principles of transparency and accountability in the management of the Fund through clear responsibilities and reporting.
- Ensure that robust governance arrangements are in place, to facilitate informed decision making, supported by appropriate advice, policies and strategies.

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- Act with integrity and be accountable to stakeholders for all decisions, ensuring they are robust, soundly based and do not unreasonably favour one group of stakeholders over another.
- Ensure the Fund complies with the appropriate legislation and Pension Regulator's Code of Practice.
- Deliver an efficient and effective pensions and financial administration service, which provides excellent value for money.

Public Standards

As a Local Government Pension Scheme, the West Midlands Pension Fund adheres to the Nolan Principles on Public Life, which are integral to the application, and success, of this policy.

Selflessness	Holders of public office should act solely in terms of the public interest.
Integrity	Holders of public office must avoid placing themselves under any obligation to people or organisations that might try inappropriately to influence them in their work. They should not act or take decisions in order to gain financial or other material benefits for themselves, their family, or their friends. They must declare and resolve any interests and relationships.
Objectivity	Holders of public office must act and take decisions impartially, fairly and on merit, using the best evidence and without discrimination or bias.
Accountability	Holders of public office are accountable to the public for their decisions and actions and must submit themselves to the scrutiny necessary to ensure this.
Openness	Holders of public office should act and take decisions in an open and transparent manner. Information should not be withheld from the public unless there are clear and lawful reasons for so doing.
Honesty	Holders of public office should be truthful.
Leadership	Holders of public office should exhibit these principles in their own behaviour. They should actively promote and robustly support the principles and be willing to challenge poor behaviour wherever it occurs.

Legislative Background

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.

The Pension Regulator's Code of Practice requires LGPS Funds to have a conflict of interest policy which sets the controls for managing actual and potential conflicts in order to satisfy itself that no such conflicts exist in its governing bodies.

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In addition, the Localism Act 2011 imposes a responsibility on all elected Councillors to declare and register pecuniary and non-pecuniary interests.

Actual conflicts are not permitted within the LGPS as it is unlikely these can be managed appropriately to prevent the conflict from having an impact. Anyone who has an actual conflict will therefore be excluded from the decision-making process, only potential conflicts can be managed.

What is a conflict?

A financial or other interest which is likely to prejudice a person's exercise of functions. A conflict can also include bias (actual or perceived). 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.

Employer representatives sitting on the Local Pensions Board may be conflicted if discussions regarding their employer are taking place; employer representatives will be required to declare their interest and leave the discussion in that scenario. Being an employer representative of itself, is not a conflict.

Actual bias is where it can be proven that a decision maker is, was or will be, prejudiced in favour of or against one decision over another.

Perceived bias is where there is a real possibility of bias. That possibility is judged on the standard reasonable test of whether "a reasonable man in possession of all facts would determine the individual to be bias".

When attending meetings of either the Pension Committee or the Local Pension Board, persons sitting as a member of those groups must sit with the pure aim and consideration of paying pension benefits for members and as a member of the Fund's Governing Body. Members of the Committee and Pension Board must "leave their day job at the door" and must sit in the capacity of their representation (i.e. member/employer representative, Scheme Manager).

Opinions may be expressed during the meeting which reflect the representative group, however decisions must be taken in the interests of all members and in the best interest of the Fund.

Managing conflicts

The Fund takes a 3- stage approach to managing conflicts of interests

- Identifying
- Monitoring
- Managing

Identifying

To assist Pension Committee, Local Pension Board members and Officers identify when a conflict may arise, attached to this policy at Appendix One are some examples of conflicts. Ultimately, it will be the responsibility of the individual to identify if a conflict exists and to seek advice from the Fund's Head of Governance and Corporate Services.

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Monitoring

The Fund keeps a register of interests for all its Pension Board member declarations of interest. Elected Councillors, under their own code of conduct are required to declare interests at the point of their election. These are published on their councillor web page and the information collated by the Fund's Governance Officer.

Interests declared at meetings which are not recorded on the register, will be required to be registered within 28 days of the declaration. New interests will be required to be declared in the same manner. This will be monitored by the Fund's Head of Governance and Corporate Services.

The register of interests is a document that can be consulted when (or before) an issue arises, and so allows others to know what interests' members may have.

The register also protects the individual members who are responsible for deciding whether or not they should declare an interest in a meeting. It is also important that the public know about any interest that might have to be declared, so that decision making is seen by the public as open and honest. This helps to ensure that public confidence in the integrity of local governance is maintained.

Managing

Where a Member has a conflict of interest, they are required to declare the interest on their register and at the meeting at which the matter in which they have an interest is determined. Once that declaration is made they must leave the room, they are not allowed to remain even if the public are.

The Fund Code extends this obligation further and requires members to declare an interest where that interest relates to a family member or close associate also.

Interests should be declared on the Declaration of Interests form (example appended to this policy at appendix Two) and submitted to the Head of Governance and Corporate Services within 28 days of appointment or of the interest becoming known, whichever is sooner.

The obligation to declare an interest only applies where the interest is known to exist.

Members who have an actual conflict of interest will be prevented from participating in the discussion and voting on the matter being considered with the requirement to announce the interest at the start of the meeting (even if already declared on the register of interests). Members must then withdraw from the meeting and not remain in the room while the matter is discussed.

Members who have a potential conflict of interest will be balanced on all facts present at the time and advice should always be sought from the Head of Governance and Corporate Services.

Sensitive Interests

Members may be exempt from declaring their interests on a public register if it is determined to be a sensitive interest.

Sensitive information is defined as

“the nature of the interest is such that the member or co-opted member, and the authority's monitoring officer, consider that disclosure of the details of the interest could lead to the

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member or co-opted member, or a person connected with the member or co-opted member, being subject to violence or intimidation”

Advice should be sought from the Head of Governance and Corporate Services where the possibility of a sensitive interest exists.

Appendix One – Examples of Conflicts of Interest

a. Investing to improve scheme administration versus saving money

An employer representative, who may be a Permanent Secretary, finance officer or local councillor, is aware that system X would help to improve standards of record-keeping in the scheme, but it would be costly to implement. The scheme manager, for instance a central government department or local administering authority, would need to meet the costs of the new system at a time when there is internal and external pressure to keep costs down. In order to meet the costs of the new system, the scheme manager would need to find money, perhaps by using a budget that was intended for another purpose. This decision could prove unpopular with taxpayers. A conflict of interest could arise where the employer representative was likely to be prejudiced in the exercise of their functions by virtue of their dual interests.

b. Outsourcing an activity versus keeping an activity in-house

In an extension of the previous example, a member representative, who is also an employee of a participating employer, is aware that system X would help to improve standards of record-keeping in the scheme, but it would mean outsourcing an activity that is currently being undertaken in-house by their employer. The member representative could be conflicted if they were likely to be prejudiced in the exercise of their functions by virtue of their employment.

c. Representing the breadth of employers or membership versus representing narrow interests

An employer representative who happens to be employed by the administering authority and is appointed to the pension board to represent employers generally could be conflicted if they only serve 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 they only act in the interests of their union and union membership, rather than all scheme members.

d. Assisting the scheme manager versus furthering personal interests

i. A pension board member, who is also a scheme adviser, may recommend the services or products of a related party, for which they might derive some form of benefit, resulting in them not providing, or not being seen to provide, independent advice or services

ii. A pension board member who is involved in procuring or tendering for services for a scheme administrator, and who can influence the award of a contract, may be conflicted where they have an interest in a particular supplier, for example, a family member works there.

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e Sharing information with the pension board versus a duty of confidentiality to an employer

An employer representative has access to information by virtue of their employment, which could influence or inform the considerations or decisions of the pension board. They have to consider whether to share this information with the pension board 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.

f acceptance of gifts

An individual accepts the offer of a dinner invitation from a bidder or potential bidder to one of the Fund's outsourced contracts.

Appendix Two

**WEST MIDLANDS PENSION FUND DECLARATION OF INTERESTS FORM
PUBLIC SERVICE PENSIONS ACT 2013 SECTION 5**

REGISTER OF MEMBERS' INTERESTS

This form must be completed by each member of the Pension Committee and Pension Board (whether elected or co-opted) **and returned to the Head of Governance within the 28 day period** specified in this form. Also, a member must, within 28 days of becoming aware of any change to the interests specified in this form provide written notification to the Head of Governance of that change.

If there is insufficient space in any of the boxes below to include all your interests which are required to be disclosed, please attach a separate sheet identifying which question is referred to, and write 'See separate sheet' in the relevant box on the form.

If you are unsure about whether an interest is one which you need to disclose or are concerned that you have an interest which is sensitive under the Code and should not be disclosed to the public, please seek clarification from the Head of Governance. **A separate form should be used to disclose sensitive interests.** If in doubt disclose the matter and seek clarification later. **You must answer all the questions.**

DECLARATION BY MEMBER

I hereby GIVE NOTICE as required by S5 Public Service Pensions Act 2013, and Practice Code 14 of the Pension Regulator's Code of Practice for public service and I confirm that the information I have provided for that purpose in this form is full and correct.

Name and address of Councillor/co-opted Member
(please print)

Signed: _____
(Councillor/co-opted Member)

Date: _____

This form consists of 2 sides.

FOR OFFICE USE ONLY

Received by Head of Governance

Date Recd

Logged

To be returned to:

Rachel Howe

Head of Governance

West Midlands Pension Fund

PO Box 3948

Wolverhampton

WV1 1XP

Rachel.howe@wolverhampton.gov.uk

REGISTER OF INTERESTS

Within 28 days of the provisions of the Code of Conduct being adopted or applied to or within 28 days of your election or appointment to office (if that is later), you must disclose your interests in the Fund’s register maintained under Section 5 of the Public Service Pensions Act by providing written notification to the Head of Governance of the West Midlands Pension Fund in respect of the following matters.

You have an actual or potential Conflict of Interest where such interest is

- i yours,
- ii your spouse’s or civil partner’s
- iii somebody with whom you are living as husband and wife or civil partners
- iv that of your family,
- v close associate.

Interest	Interested party (Member/family/close associate)

Appendix A

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