

GOVERNANCE COMMITTEE SUPPLEMENTARY AGENDA

11 March 2015

The following report is attached for consideration and is submitted with the agreement of the Chairman as an urgent matter pursuant to Section 100B (4) of the Local Government Act 1972

11 LOCAL PENSIONS BOARD (Pages 1 - 24)

**Andrew Beesley
Committee Administration
Manager**

This page is intentionally left blank



GOVERNANCE COMMITTEE

11 March 2015

Subject Heading:

LOCAL PENSION BOARD

CMT Lead:

Andrew Blake-Herbert

Report Author and contact details:

Stephen Doye (ext 2460 –
Stephen.doye@onesource.co.uk)

Policy context:

The Local Pension Board is a statutory requirement.

Financial summary:

A budget of £35k will be required for the administration and funding of the Board, and this will be charged to the Havering Pension Fund

SUMMARY

To take steps to progress the establishment of a Local Pension Board as required by Regulation 106 of the Local Government Pension Scheme Regulations 2013 (the 2013 Regulations) , which came into force on 20 February 2015 requiring the Council to establish a pension board no later than 1st April 2015

RECOMMENDATIONS

That the Governance Committee recommend to Council:

1. Additions to the Constitution as detailed at paragraph 12 of the report:
2. The adoption of the attached:
 - Terms of Reference for the Local Pension Board
 - Code of Conduct for members of the Local Pension Board
 - Conflict of Interest Policy for members of the Local Pension Board
3. The delegation of the power to make any further amendments to the Constitution (including oneSource delegations) as may be necessary and to revise the Terms of Reference, Code of Conduct and Conflicts of Interest

policy to the Monitoring Officer, after consultation with the Council's Section 151 Officer and the Lead Member for Value.

REPORT DETAIL

1. Regulation 106 of the Local Government Pension Scheme Regulations 2013 (the 2013 Regulations), which came into force on 20 February 2015, requires the Council to establish a local pension board no later than 1st April 2015 responsible for assisting it
 - (a) to secure compliance with —
 - (i) the 2013 Regulations,
 - (ii) any other legislation relating to the governance and administration of the Scheme and any connected scheme, and
 - (iii) any requirements imposed by the Pensions Regulator in relation to the Scheme and any connected scheme; and
 - (b) to ensure the effective and efficient governance and administration of the Scheme and any connected scheme.
2. The Pension Committee agreed at its meeting on the 23 September 2014 to the establishment of a working group of officers from London Borough of Havering and London Borough of Newham to assist in devising appropriate plans for implementation of the requirement to establish a Local Pension Board and accordingly this Report sets out the recommendations of the group. The Pensions Committee have received further updates.
3. As stated above there is no alternative other than to establish the Local Pension Board. This requirement is being brought in at the same time as a new national Scheme Advisory Board and follows on from changes in the Scheme whereby accrual of pension builds up on a career average basis rather than being linked to final salary, also implemented through the 2013 Regulations. The changes follow wide discussion and consultation.
4. Currently the Constitution delegates the Council's functions as Scheme Manager, primarily to the Pensions Committee under Part 3 paragraph 1.2. Under the service specific officer delegations at Part 3 section 3.7.2 (b) the Council's section 151 officer is delegated to administer the Council's Pension Fund.
5. The Guidance on implementation of the new Local Pension Board recommends that the Council consider whether this current arrangement is fit for purpose. The working group has reviewed this and considers that it is. The Local Pension Board will have the role of assisting the Council to ensure compliance with the various duties under the Scheme exercised by the Members and officers as described above.

6. The Local Pension Board will be a free-standing committee and will not be set up under section 101 Local Government Act 1972 and therefore the Member's Code of Conduct will not apply to it.
7. The first recommendation therefore seeks to reflect within the Constitution the position of the statutory Pension Board.
8. Terms of Reference. The working group has devised the attached terms of reference and these are recommended for Council's approval.
9. The key issues within the terms of reference are as follows:
 - 9.1 Local Pension Board Membership. The Regulations require there to be an equal number of scheme member and employer representatives with a minimum of four. It is proposed that the Local Pension Board consist of 4 members in total, serving for a four year term, with a chair to be appointed from amongst the four members by the Local Pension Board on a time limited and rotating basis, and that the chair appointed will have a casting vote in the event of a tie. The representatives must have the capacity to represent either scheme members or employers which the Guidance indicates would include the ability and time to feedback to those they represent. Elected Members could be appointed to these representative roles.
 - 9.2 Remuneration of members of the Local Pension Board. It is proposed that the members of the Local Pension Board will receive an allowance of £117 for each meeting attended (matching the allowance for co-opted members)
 - 9.3 Voting. The Chair will seek to achieve consensus in decision making, but as stated above, it is proposed will have a casting vote in the event of a tie.
 - 9.4 Code of Conduct. The Local Pension Board is required to have a code of conduct to which each of its members must adhere, but as stated above the Council's code is not directly applicable, except to any Councillors who are members of the Local Pension Board as they would be doing so in their official capacity, and therefore the attached Code is recommended for adoption.
 - 9.5 Conflicts of Interest. The Regulations require that no person may be appointed who has a conflict of interest in relation to the subject matter of the Board's consideration. The definition of a conflict of interest for the purpose of the Board's functions is potentially wider than it would be for a Councillor considering Council business and therefore it has been necessary to prepare a specific conflict of interest policy for this Board which is attached for approval. It is proposed that members of the Local Pension Board should disclose any private interests and that this register shall be managed by the Monitoring Officer who should also have the power to exercise the Council's functions, should it be necessary to do so, in the event of an unresolved conflict of interest.

Council is recommended to approve the attached conflict of interest policy.

- 9.6 Meetings. It is proposed that there be 5 meetings per year including one annual meeting to occur two weeks after each meeting of the Pensions Committee.
10. The final version of the 2013 Regulations was unfortunately only published on 29 January 2015 and there were a number of changes from the draft version and therefore there may be a need to further revise the three documents attached to reflect the current legislation. The attached versions are therefore being submitted as the current working versions but Council is also asked to delegate the power to make any further amendments to the Constitution (including 'oneSource delegations) as may be necessary and to revise the Terms of Reference for the Local Pension Board, Code of Conduct for the Local Pension Board and Conflicts of Interest Policy for members of the Local Pension Board. There will also be a need to review the current Governance Compliance Statement.
11. Funding of the Local Pension Board. The costs of administration will be funded entirely from the Pension Fund as required by Regulations. The Section 151 Officer will be responsible for setting the budget and approving expenditure of the Board.
12. **Changes to the Constitution: To establish this board in The Council's Constitution are as follows**

At Part 2 Appendix (Council Bodies) add a new paragraph

"Havering Local Pension Board

Membership: to be determined in accordance with the Local Government Pension Scheme Regulations 2013, not being a body constituted under section 101 of the Local Government Act 1972."

At Part 3 Section 1.4 Statutory and non-statutory bodies

Add: Name – "Havering Local Pension Board"

Functions: "Assisting the scheme manager (i.e. the Council) in relation to the following matters.

- (a) securing compliance with the scheme regulations and other legislation relating to the governance and administration of the scheme and any statutory pension scheme that is connected with it;**
- (b) securing compliance with requirements imposed in relation to the scheme and any connected scheme by the Pensions Regulator;**
- (c) such other matters as the scheme regulations may specify."**

At Part 3, Section 3.7.7 Functions of the Director of Legal and Governance

Add paragraph (s) and make consequential amendments to the lettering of the succeeding paragraphs:

“To take any necessary action to address any conflicts of interest arising in the Havering Local Pension Board.”

13. Timetable. Recruitment and advertising for members will be undertaken shortly and will involve communications to all Scheme employers and scheme members. A Panel will meet as soon as reasonably possible to shortlist and interview prospective candidates following the Council meeting approving the establishment of the Local Pension Board due to take place on 25 March. Whilst the legislation requires the Board to be established by 1 April 2015 its first meeting does not need to take place for up to four months thereafter. A date for the first meeting will therefore need to be set up following appointments to the Board.

IMPLICATIONS AND RISKS

Financial implications and risks:

As required by regulations, the cost of the Local Pension Board is viewed as part of the administration costs for the relevant Local Government Pension Scheme (LGPS) fund. This means that the administering authority will be able to require employers to contribute to those expenses under existing LGPS regulations.

The final version of the regulations published on the 29 January 2015 has changed the emphasis of “having experience and knowledge” to “having the capacity to undertake training”. On this basis the budget allocated for the running of the Local Pension Board will be increased to accommodate the level of training to be made available. The estimated on-going running costs of the Local Pension Board are currently estimated at £35k p.a.

The working group established to implement the arrangements of the Local Pension Board was set up in partnership with the London Borough of Newham as part of the oneSource arrangements. Therefore the set-up costs will be shared and the Havering element of these costs is currently estimated at £8k. Total set-up costs for Havering are estimated to be in the region of £10k (this does not include officer time).

As required by regulations, the cost of the National Scheme Advisory Board are also to be viewed as part of the administration costs for the LGPS as a whole and are met by the administering authorities. Each authority’s share will be based on the board’s approved budget and the split will be based on the number of members in each authority’s fund. We have not been advised at the time of writing this report what Havering’s Pension Fund contribution will be

The impact of meeting the above costs is likely to impact the employer contributions rates in future valuations.

Legal implications and risks:

The legal requirements of the new legislation are set out within the Report. As stated there is no option but to establish the Pension Board by 1st April. As this Report seeks to do this will minimise any legal risks to the Council.

There are elements of discretion within the Terms of Reference, Code of Conduct and Conflict of Interest policy, which the Council must exercise reasonably. The proposals do not depart from the Guidance and therefore there does not appear to be any legal risk in adopting them.

Human Resources implications and risks:

There will be additional staff resources required to service the Local Pension Board but these will be met from existing resources and funded by the Pension fund. Otherwise there are no apparent Human resources implications.

Equalities implications and risks:

There are no apparent equalities implications or risks arising from the statutory requirement to establish a Local Pension Board

BACKGROUND PAPERS

None

Terms of reference for the Local Pension Board of the London Borough of Havering Pension Fund

Terms of Reference and Delegated Authorities

1) Introduction

1.1 The purpose of this document is to set out the terms of reference for the Local Pension Board of the London Borough of Havering pension fund.

2) Role of the Local Pension Board

2.1 The role of the local Pension Board as defined by sections 5 (1) and (2) of the Public Service Pensions Act 2013, is to –

- Assist the London Borough of Havering Administering Authority as Scheme Manager; –
 - to secure compliance with the LGPS regulations and any other legislation relating to the governance and administration of the LGPS
 - to secure compliance with requirements imposed in relation to the LGPS by the Pensions Regulator
 - in such other matters as the LGPS regulations may specify
- Secure the effective and efficient governance and administration of the LGPS for the London Borough of Havering Pension Fund
- Provide the Scheme Manager with such information as it requires ensuring that any member of the Pension Board or person to be appointed to the Pension Board does not have a conflict of interest.

2.2 The Pension Board will ensure it effectively and efficiently complies with the code of practice on the governance and administration of public service pension schemes issued by the Pension Regulator.

2.3 The Pension Board will also help ensure that the London Borough of Havering Pension Fund is managed and administered effectively and efficiently and complies with the code of practice on the governance and administration of public service pension schemes issued by the Pension Regulator.

2.4 The Pension Board shall meet sufficiently regularly to discharge its duties and responsibilities effectively.

2.5 In support of its core functions the Board may make a request for information to the Pensions Committee with regard to any aspect of the Administering Authority's function. Any such request should be reasonably complied with in both scope and timing.

2.6 In support of its core functions the Board may make recommendations to the Pensions Committee which should be considered and a response made to the Board on the outcome within a reasonable period of time.

3) Members of the Pension Board

3.1 The Pension Board shall consist of **4 voting** members and be constituted as follows:

- i) **2** employer representatives;
- ii) **2** scheme member representatives;

3.2 There shall be an equal number of Scheme Member and Employer Representatives.

3.3 *Scheme Member representatives*

3.3.1 Scheme member representatives shall either be scheme members or have capacity to represent scheme members of the Fund.

3.3.2 Scheme member representatives should be able to demonstrate their capacity to attend and complete the necessary preparation for meetings and participate in training as required.

3.3.3 Substitutes shall not be appointed.

3.3.4 A total of 2 scheme member representatives shall be appointed from the following source:

3.3.5 Scheme member representatives shall be appointed following a transparent recruitment process which should be open to all Fund members and be approved by the Administering Authority.

3.4 *Employer representatives*

3.4.1 Employer representatives shall be office holders or senior employees of employers of the Fund or have experience of representing scheme employers in a similar capacity. No officer or elected member of the Administering Authority who is responsible for the discharge of any function of the Administering Authority under the Regulations may serve as a member of the Board.

3.4.2 Employer representatives should be able to demonstrate their capacity to attend and complete the necessary preparation for meetings and participate in training as required.

3.4.3 Substitutes shall not be appointed.

3.4.4 2 employer representatives shall be appointed to the Board following a transparent recruitment process which should be open to all employers in the Fund and be approved by the Administering Authority.

3.5 Each employer representative and scheme member representative so appointed shall serve for a fixed **4** year period which can be extended for further period(s) subject to re-nomination.

3.6 Each Board member should endeavour to attend all Board meetings during the year and is required to attend at least 4 meetings each year, 1 of which must be the Annual Meeting. Board members are not allowed to send a substitute in their absence. In the event that a Board member fails to attend 3 consecutive meetings, that individual will automatically be disqualified, unless the failure was due to some reason approved by the Board before the date of the 3rd consecutive meeting.

3.7 Board membership may be terminated prior to the end of the term of office due to:

(a) A scheme member representative appointed on the basis of their membership of the scheme no longer being a scheme member in the Fund.

(b) A scheme member representative no longer being a scheme member or a representative of the body on which their appointment relied.

(c) An employer representative no longer holding the office or employment or being a member of the body on which their appointment relied.

(d) A Board member no longer being able to demonstrate to the London Borough of Havering their capacity to attend and prepare for meetings or to participate in required training.

(e) A Board member has a conflict of interest which cannot be managed in accordance with the Board's conflict policy.

(f) A Board member who is an elected member becomes a member of the Pensions Committee.

(g) A Board member who is an officer of the Administering Authority becomes responsible for the discharge of any function of the Administering Authority under the Regulations.

3.8 The Board may, with the approval of the Scheme Manager, co-opt persons who are not members of the Board to serve on sub committees, particularly where this would add skills and experience.

4) Appointment of Board Members Process

The process for selecting members of the Pension Board is set out below.

- Communications via different media will be sent to all scheme members (active, deferred and pensioners) and Employers of the fund, informing them of the creation of the board, where to find more information and how to apply for a position.
- An advert will be published on the Havering pension fund website www.yourpension.org.uk/handr inviting scheme members and employers to apply informing them of the creation of the Board, and how to be considered for appointment as a Board Member
- A short list will be prepared of those applications meeting the set out criteria
- Interviews of the short list candidates, interviews to be conducted by an interview Panel established by the scheme manager.

- Appointment of successful candidates
- The administering authority shall publish the names of the local pension board members on the Havering Pension website www.yourpension.org.uk/handr

5) Appointment of Chair

5.1 A Chair is to be appointed by the employer and scheme member representatives of the Board from amongst their own number on a rotating basis with the term of office shared between an employer and a scheme member representative on an equal basis.

5.2 The Chair of the Board:

- (a) Shall ensure the Board delivers its purpose as set out in these Terms of Reference,
- (b) Shall ensure that meetings are productive and effective and that opportunity is provided for the views of all members to be expressed and considered, and
- (c) Shall seek to reach consensus and ensure that decisions are properly put to a vote when it cannot be reached. Instances of a failure to reach a consensus position will be recorded and published.

6) Quorum

6.1 The Board shall have a formal quorum of **3**. In the absence of the Chair, at any meeting, the members attending can appoint a Deputy Chair for that meeting.

6.2 Advisers and officers do not count towards the quorum

7) Conflicts of Interest

7.1 All members of the Board must declare to the Administering Authority on appointment and at any such time as their circumstances change, any potential conflict of interest arising as a result of their position on the Board.

7.2 A conflict of interest is defined as a financial or other interest which is likely to prejudice a person's exercise of functions as a member of the Board. It does not include a financial or other interest arising merely by virtue of that person being a member of the Scheme.

7.3 On appointment to the Board and following any subsequent declaration of potential conflict by a Board member, the Administering Authority shall ensure that any potential conflict is effectively managed in line with both the internal procedures of the Board's 'Conflicts of Interest' policy and the requirements of the Code.

8) Standards of Conduct

8.1 The role of Pension Board members requires the highest standards of conduct and therefore the “seven principles of public life ” will be applied to all Pension Board members and embodied in their code of conduct.

These are –

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

9) Board Review Process

9.1 The Board will undertake each year a formal review process to assess how well it and its committees, and the members are performing with a view to seeking continuous improvement in the Board’s performance.

10) Advisers to the Board

10.1 The Board may be supported in its role and responsibilities through the appointment of advisers and shall, subject to any applicable regulation and legislation from time to time in force, consult with such advisers to the Board and on such terms as it shall see fit to help better perform its duties including:

- A Governance Adviser
- The Fund’s Actuary;
- The Fund’s Administrator;
- The Fund’s Legal Adviser;
- The Fund’s Investment Manager(s);
- The Fund’s Investment Adviser(s);
- The Fund’s Employer Covenant Adviser;
- The Scheme Manager.
- Other advisers, so approved by the Scheme Manager.
- The Pensions Regulator

10.2 The Board shall ensure that the performances of the advisers so appointed are reviewed on a regular basis.

11) Knowledge and Skills

- 11.1 Knowledge and understanding must be considered in light of the role of the Board to assist the Administering Authority in line with the requirements outlined in paragraph 2 above.
- 11.2 A member of the Pension Board must be conversant with –
- 1 The legislation and associated guidance of the Local Government Pension Scheme (LGPS).
 - 2 Any document recording policy about the administration of the LGPS which is for the time being adopted by the London Borough of Havering Pension Fund.
- 11.3 A member of the Pension Board must have knowledge and understanding of –
- The law relating to pensions, and
 - Any other matters which are prescribed in regulations.
- 11.4 It is for individual Pension Board members to be satisfied that they have the appropriate degree of knowledge and understanding to enable them to properly exercise their functions as a member of the Pension Board.
- 11.5 In line with this requirement Pension Board members are required to be able to demonstrate their knowledge and understanding and to refresh and keep their knowledge up to date. Pension Board members are therefore required to maintain a written record of relevant training and development.
- 11.6 Pension Board members will undertake a personal training needs analysis and regularly review their skills, competencies and knowledge to identify gaps or weaknesses.
- 11.7 Pension Board members will comply with the Scheme Manager's training policy.

12) Board Meetings – Notice and Minutes

- 12.1 The Scheme Manager shall give notice to all Pension Board members of every meeting of the Pension Board. The Scheme Manager shall ensure that a formal record of Pension Board proceedings is maintained. Following the approval of the minutes by the Chair of the Board, they shall be circulated to all members.
- 12.2 There will be **5** Pension Board meetings a year to be held per year, approximately 2 weeks after the Pensions Committee meeting, with 1 Annual meeting being held at the beginning of the committee cycle. The meetings are expected to be held during the day, in a Town Hall Committee room.
- 12.3 The Chair of the board with the consent of the board members may call additional meetings but not less than 5 clean working days of that meeting. .

13) Decision making

13.1 Each member of the Pension Board will have one vote but it is expected the Pension Board will as far as possible reach a consensus.

14) Standards of Conduct

14.1 The role of Pension Board members requires the highest standards of conduct and therefore the “seven principles of public life” will be applied to all Pension Board members and embodied in their code of conduct.

These are –

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

15) Publication of Pension Board information

15.1 Scheme members and other interested parties will want to know that the London Borough of Havering Pension Fund is being efficiently and effectively managed. They will also want to be confident that the Pension Board is properly constituted, trained and competent in order to comply with scheme regulations, the governance and administration of the scheme and requirements of the Pension Regulator.

15.2 Up to date information will be posted on the London Borough of Havering Pension Fund website showing:

- The names and contact details of the Pension Board members
- The representation of scheme members and employers of the local Pension Board
- The role and responsibilities of the Pension Board
- The full terms of reference and policies of the Pension Board and how they operate
- The Pension Board appointment process
-

15.3 The Board meetings will be open to the general public (unless there is an exemption under relevant legislation which would preclude part (or all) of the meeting from being open to the general public).

15.4 Pension Board papers, agendas and minutes of meetings will be published on the London Borough of Havering Pension Fund website, www.yourpension.org.uk/handr. These may at the discretion of the Scheme Manager be edited to exclude items on the grounds that they would either involve the likely disclosure of exempt information as specified in Part 1 of Schedule 12A of the Local Government Act 1972 or it being

confidential for the purposes of Section 100A(2) of that Act and/or they represent data covered by the Data Protection Act 1998.

15.5 The Scheme Manager will also consider requests for additional information to be published or made available to individual scheme members to encourage scheme member engagement and promote a culture of openness and transparency.

16) Accountability

16.1 The Pension Board will be collectively and individually accountable to the Scheme Manager.

17) Expense Reimbursement

17.1 The remuneration for board members will be as follows;

- Board members will receive an allowance £117 (co-opted members amount for other committees) per meeting attended. No payment will be made for non-attendance.

18) Budget

18.1 The Board is to be provided with adequate resources to fulfil its role. In doing so the budget for the Board will be met from the Havering Pension Fund and must be approved by the Section 151 Officer.

19) Reporting

19.1 The Board should in the first instance report its requests, recommendations or concerns to the Pensions Committee. In support of this any member of the Board may attend a Committee meeting as an observer.

19.2 Requests and recommendations to the Pensions Committee should be reported under the provisions of paras 2.5 and 2.6 above.

19.3 The Board should report any concerns over a decision made by the Committee to the Committee subject to the agreement of at least 50% of voting Board members provided that all voting members are present. If not all voting members are present then the agreement should be of all voting members who are present, where the meeting remains quorate.

19.4 On receipt of a report under paragraph 19.3 above the Committee should, within a reasonable period, consider and respond to the Board.

19.5 Where the Board is not satisfied with the response received it may request that a notice of its concern be placed on the website and in the Fund's annual report.

19.6 Where the Board is satisfied that there has been a breach of regulation which has been reported to the Committee under paragraph 19.3 and has not been rectified within a reasonable period of time it is under an obligation to escalate the breach.

19.7 The appropriate internal route for escalation is to the Monitoring Officer and/or the Section 151 Officer (as appropriate).

19.8 The Board may report concerns to the LGPS Scheme Advisory Board for consideration subsequent to, but not instead of, using the appropriate internal route for escalation.

19.9 Board members are also subject to the requirements to report breaches of law under the Act and the Code [and the whistleblowing provisions set out in the Administering Authority's whistle blowing policy].

20) Review of terms of reference

20.1 These Terms of Reference shall be reviewed on each material change to those part of the Regulations covering local pension boards and at least every year.

20.2 These Terms of Reference were [adopted/ last reviewed on [INSERT DATE]].

21) Definitions

21.1 The undernoted terms shall have the following meaning when used in this document:

"Pension Board" or "Board" Means the local Pension Board for the London Borough of Havering administering authority for the London Borough of Newham Pension Fund as required under the Public Service Pensions Act 2013

"Scheme Manager" Means the London Borough of Havering as administering authority of the London Borough of Havering Pension Fund.

"Chair" Means the Chair of the Pension Board

"LGPS" The Local Government Pension Scheme as constituted by the Local Government Pension Scheme Regulations 2013, the Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014 and The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009

In Scotland;

The Local Government Pension Scheme as constituted by the Local Government Pension Scheme (Benefits, Membership and Contributions) (Scotland) Regulations 2008, the Local

Government Pension Scheme Administration) (Scotland) Regulations 2008, The Local Government Pension Scheme (Transitional Provisions) (Scotland) Regulations 2008 and the The Local Government Pension Scheme (Management and Investment of Funds) (Scotland) Regulations 2010]

- “Scheme”* Means the Local Government Pension Scheme as defined under “LGPS”
- “Pensions Regulator”* Means the UK regulator of work-based pension schemes.
- ‘the Committee’* Means the committee which has delegated decision making powers for the Fund in accordance with Section 101 of the Local Government Act 1972.
- ‘the Fund’* Means the Fund managed and administered by the Administering Authority.

22) Interpretation

- 22.1 Any uncertainty or ambiguity or interpretation required relating to any matters contained in this document shall be determined by the Scheme Manager.

Code of conduct for members of the Pensions Board

The Havering Pension Fund recognises that the time and commitment that Board members give to the role. However, the Fund and interested stakeholders are entitled to expect the highest standards of conduct from all Pensions Board members.

Aim of the Code

The aim of the Code of Conduct is to provide guidelines for Board members that will help maintain and improve standards and protect Board members from misunderstanding or criticism.

Obligations

In performing your duties you are expected to act with integrity, honesty, impartiality and without bias at all times.

You must not do anything which compromises or is likely to compromise the impartiality and integrity of those who work for, or on behalf of, the Havering Pension Fund.

Interests

Board members must comply with the provisions of the 'Conflicts of Interest' policy.

Relationships with panel members, the public and officers

It is essential to have a good working relationship with other Board members, officers and advisers supporting the Pension Board. You should show mutual respect, avoid close personal familiarity and keep relationships on a professional basis.

You are expected to act with courtesy and respect, and without bias.

Attendance at meetings and training

Each Board member should endeavour to attend all Board meetings and relevant training sessions. Each Board Member is required to attend at least **4** meetings each year, 1 of which must be the Annual Meeting. Board members are not allowed to send a substitute in their absence. In the event that a Board member fails to attend 3 consecutive meetings, that individual will automatically be disqualified, unless the failure was due to some reason approved by the Board before the date of the 3rd consecutive meeting.

Equalities

You must adhere to the London Borough of Havering's Equal Opportunity Policies and to Equalities and Human Rights legislation.

Declaration:

I (Name in Capitals)

accept the requirements of the Code of Conduct.

Signed

Date

DRAFT

Conflict of Interest Policy – Members of the London Borough of Havering Pension Fund Local Pension Board

Status of this policy

The Public Service Pensions Act 2013 (the 2013 Act) makes it a legal requirement that members of local pension boards do not have a conflict of interest. The Local Government Pension Scheme Regulations 2013 (the 2013 Regulations) have been amended accordingly. This policy sets out the principles which members of the London Borough of Havering Pension Fund Local Pension Board are expected to follow in order to fulfil their legal obligations under the 2013 Act in identifying, monitoring and managing potential, actual or perceived conflicts of interest.

Defining Conflicts of Interest

A conflict of interest may arise when a member of a Local Pension Board:

- must fulfil their legal duty to assist 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 as a Local Pension Board member.

The key issue for a member of the Local Pension Board is to consider whether they are subject to a conflict of interest which prevents them from acting entirely independently in their capacity as a member of the Local Pension Board. It is recognised that from time to time a person may have interests or responsibilities which are not aligned with their responsibilities as a member of the Local Pension Board, but these do not prevent the person from fulfilling their responsibilities as a Board member. This situation may occur when the separate interest is sufficiently immaterial and so does not conflict with the Board member's first obligation to the Local Pension Board.

Policy Objectives

1. To ensure that all members of the London Borough of Havering Pension Fund Local Pension Board comply with their statutory requirements under The Public Service Pensions Act 2013 and associated regulations and guidance.
2. Ensure that all Local Pension Board members are aware of their duty to act independently and carry out their roles to a high ethical standard.
3. Remove any perception that the actions of Local Pension Board members are influenced by the presence of a separate responsibility or interest that conflict with their responsibilities as a Board member.
4. Maintain appropriate records of declared conflicts of interest and manage any potential conflicts to ensure they do not become actual or perceived conflicts of interest. Records will be lodged in advance of the Board Member's appointment and will be maintained by the Council's Monitoring Officer.
5. Ensure that public confidence in the governance of the London Borough of Havering Pension Fund is maintained.

Legislative Background

This policy sets out how members of the London Borough of Havering Pension Fund Local Pension Board are expected to manage potential, perceived or actual conflicts of interest arising in relation to their work as a member of that Pension Board.

[Draft] Regulation 108 of the 2013 Regulations 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

Section 5(5) of the 2013 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).

The 2013 Regulations allow for elected members to sit on a Local Pension Board. Under the Localism Act of 2011 all elected members will be covered by and 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.

The Regulator's Code of Practice on Conflicts of Interest

The Pensions Regulator has responsibility for regulatory oversight of the governance and administration of public service pension schemes, including the Local Government Pension Scheme and therefore by implication includes regulatory oversight of the Local Pension Board's activities. The Pensions Regulator has published guidance in the form of a Code of Practice part of which is designed to assist Scheme Managers to meet their legal duty in ensuring that Local Pension Board members do not have conflicts of interest.

Perception of Conflicts of Interest

Members of the Local Pension Board 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, elected members or members of the public that a real conflict of interest exists.

If there is the possibility that a perceived conflict of interest may exist, it should be managed by the Local Pension Board in the same way as a real conflict of interest.

Confidential Information

A member of the Local Pension Board may, by virtue of their employment by an employing authority within the London Borough of Havering Pension Fund, have access to confidential information about their employer.

A member of the Board is not obliged to reveal this information as part of their role on the Local Pension Board.

However, if an affected member considers that the information to which they are party may:

- a) adversely affect the London Borough of Havering Pension Fund or an employer within the Fund,
- b) reasonably cause the Local Pension Board to interpret a decision by the Pensions Committee differently or act in a different way were it to be known at the time and

- c) the information will not be made available to the Local Pension board through some other means within such time as the Board is able to fully act upon it,

that Local Pension Board member shall withdraw from all discussion in relation to that issue and notify the Board that a conflict of interest exists. The details of the conflict need not be disclosed.

This scenario may occur where a Board member is aware of legally confidential negotiations around, for example, the takeover of a London Borough of Havering Pension 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.

Identifying and monitoring Conflicts of Interest

The Role of Individual Members of the Local Pension Board

There is a duty on all prospective Local Pension Board members to declare interests prior to their appointment to the Board.

Members of the Local Pension Board must provide any information requested by the Administering Authority in connection with the Authority's duty to ensure that conflicts of interest do not exist.

Local Pension Board members must be conscious of the need to be open about potential and actual conflicts. Board members should be aware of their statutory obligations in this area as well as being familiar with the Pension Regulator's code of practice and this policy document.

Where a member has declared an interest which has been recorded on the Register of Member Interests it will not typically be necessary to declare that interest at subsequent Local Pension Board meetings unless the materiality of that interest changes in respect of the Board's business.

In cases of exceptional sensitivity a member of the Local Pension Board may make a notification of an interest to the Chair of the Board, rather than to the full Board.

In advance of their appointment, each Board Member will be required to complete a 'Register of Interests' document which will be maintained by the Council's Monitoring Officer.

The Role of the Administering Authority

The London Borough of Havering as the Administering Authority for the London Borough of Havering Pension Fund must be satisfied that any individual appointed to the Local Pension Board does not have a conflict of interest and must also ensure that from time to time no such conflict arises.

The London Borough of Havering shall consider all applications from potential Local Pension Board members prior to approval in order to ensure that no conflict exists. The potential for a conflict to arise at some point in future will not in itself be reason to exclude an individual from membership of the Local Pension Board, unless the Administering Authority considers that the likelihood of a conflict arising is so high or the conflict itself is likely to arise persistently and frequently enough that it is likely to compromise an individual's ability to participate meaningfully on the Board.

The Council's Monitoring Officer will be available to advise and guide Board Members on matters concerning potential conflicts of interest, should they arise

The Role of the Local Pension Board

The Local Pension Board should identify, monitor and manage dual interests and responsibilities which are or have the potential to become actual or perceived conflicts of interest. In determining how to manage conflicts of interest the Local Pension Board must comply with the 2013 Act, The 2013 Regulations, guidance from the Pensions Regulator and this policy document.

When seeking to prevent a potential conflict of interest becoming detrimental to the conduct or decisions of a Local Pension Board, the Board should consider obtaining legal advice when assessing any option.

There will be a standing agenda item at all meetings of the Local Pension Board at which members will be asked to declare any interests. The Local Pension Board will ensure that a register of member interests will be kept up to date and be included as part of the papers for each meeting of the Local Pension Board.

Managing Conflicts of Interest

In the event that the Local Pension 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 Board must determine the appropriate mechanism for managing that conflict. 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.

- Requiring that the member for whom the conflict exists takes no part in discussions or does not vote in respect of the matter for which they are conflicted.
- If practical the member may relinquish or divest themselves of a personal interest which is the source of a conflict of interest with their Local Pension Board responsibilities.
- If the conflict is likely to be persistent and ongoing in such a way that it is likely to limit a member's meaningful participation in the Local Pension Board, that member should consider resigning from their position.
- The Scheme Manager 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.

Adviser and Officer Conflicts

The Local Pension Board will be supported and advised by officers of the Fund in its day to day business. Similarly the Board may, if appropriate, seek independent or professional advice for example, legal advice or governance advice.

The Local Pension Board must be confident that the advice it receives from officers and advisers is independent and truly in the best interests of the London Borough of Havering Pension Fund. For this reason officers and advisers giving advice to the Local Pension Board must also declare any situation where a potential, perceived or actual conflict exists, in order that it can be appropriately managed.

Appendix

Relevant References

2011 Act	The Localism Act 2011.
2013 Act	The Public Service Pensions Act 2013.
2013 Regulations	The Local Government Pension Scheme Regulations 2013 (as amended).
Scheme Manager	The administering authority for the London Borough of Havering Pension Fund, the London Borough of Havering

Examples of conflicts of interest

The following are intended to be examples of potential conflicts for illustrative purposes. The list is not exhaustive and is not intended to provide all the scenarios in which a conflict of interest may arise.

Example 1

There may be situations where a member of the Local Pension Board who is also an officer for the London Borough of Havering or some other employer in the London Borough of Havering Pension Fund faces conflicting priorities by virtue of their two roles. For example, as a Local Pension Board member they may make or scrutinise a decision which requires the use of greater employer resource in order to improve the administration and efficiency of the London Borough of Havering Pension Fund. However, at the same time they may be facing departmental pressure to cut budgets and spend less on pension administration matters.

Example 2

The Local Pension Board is reviewing a decision by the Pensions Committee to levy an additional charge under the 2013 Regulations to a group of employers whose poor performance in carrying out their statutory functions in respect of the LGPS has caused the London Borough of Havering Pension Fund additional costs. Any employer representative on the Board, who is employed by an employer who falls into this category, would need to declare their interest and the resulting conflict of interest would need to be managed.

Example 3

It is possible that a scheme member representative is also employed by a firm to whom the Fund's administration has been outsourced. Such a member is likely to face a conflict of interest when the performance of that company in respect of their administration performance is discussed.

Example of where a declared interest may not constitute a conflict of interest

A representative on the Local Pension Board holds shares in a company that provides outsourced pension administration services as part of a varied portfolio. The shares are valued at a few hundred pounds and the company's value is many tens of millions. The Pension board is reviewing the decision to outsource the Fund's administration staff to that company.

In this case the Local Pension Board may consider that on grounds of materiality, no conflict of interest exists. The Local Pension Board is not responsible for the decision and the impact of the outsourcing will have no effect on the company's share price. The Local Pension Board member in question should, however, still declare their interest.

DRAFT