



# SURREY LOCAL PENSION BOARD REPORT

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**SURREY COUNTY COUNCIL**

**SURREY LOCAL PENSION BOARD**

**DATE: 21 FEBRUARY 2025**

**LEAD OFFICER: NEIL MASON, LGPS SENIOR OFFICER**

**SUBJECT: THE SURREY PENSION FUND CONFLICTS OF INTEREST POLICY**

## **SUMMARY OF ISSUE:**

This report considers a proposed draft Conflicts of Interest Policy applicable equally to Pension Fund Committee and Local Pension Board Members along with Officers and Advisors involved in the management of the Surrey Pension Fund.

## **RECOMMENDATIONS:**

It is recommended that the Local Pension Board

1. Considers and notes the content of this report.
2. Provides comments and suggestions for consideration by the Surrey Pension Fund as to the content of the Surrey Pension Fund (draft) Conflicts of Interest Policy if relevant.
3. Makes any recommendations to the Pension Fund Committee if required.

## **REASON FOR RECOMMENDATIONS:**

The Public Sector Pensions Act 2013 requires Local Pension Boards to assist the Scheme Manager in securing compliance with the Local Government Pension Scheme (LGPS) Regulations and requirements imposed by the Pensions Regulator. This report provides the Local Pension Board with insight into the activities of the Surrey pension function and furthers the successful collaboration of the Pension Fund Committee and Local Pension Board in managing risk and compliance and promoting effective governance.

## **DETAILS:**

### **Background**

1. The Local Pension Board (Board) will recall receiving a report at its meeting of 15 November 2024 entitled "Improving the Governance of the Surrey Pension Fund Update". That report detailed the changes to the governance of the Surrey Pension Fund (the Fund) which were previously endorsed by the Pension Fund Committee (Committee) at its meeting of 13 September 2024 and approved by full Council at its meeting of 8 October 2024.

2. One of the actions to come out of the governance changes is the addition to the Pension Fund Committee Terms of Reference adding item (j) as follows:

*“j) To consider and approve an annual conflict of interest policy, which shall include how the potential conflict of Surrey County Council in its dual role as Administering Authority for and scheme employer of the Surrey Pension Fund is managed.”*

3. This report and Annexe 1 addresses item (j) of the Pension Fund Committee Terms of Reference by providing a specific Surrey Pension Fund Conflicts of Interest Policy (the Policy). The need for this is supported by:

#### SAB Good Governance Review

4. The Scheme Advisory Board’s (SAB) Good Governance Review’s final report (February 2021) specifically addressed the potential conflict between Council’s as both the administering authority and an employer of the pension fund and therefore makes the following recommendation:
  - a) *“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, with specific reference to key conflicts identified in the Guidance.*
  - b) *The Guidance should refer all those involved in the management of the LGPS, and in particular those on decision making committees, to the guide on statutory and fiduciary duty which will be produced by the SAB.”*

#### Internal audit recommendations

5. The Surrey Internal Audit review of the governance structure of the SPF (in April 2023) recommended creation of a Conflicts of Interest Policy directly addressing the Good Governance Review’s:

*“... recognition of the dual role of the Council as the Administering Authority and a scheme employer in the Fund, and to suggest how those potential conflicts can be managed to ensure that they do not become actual conflicts.”*

#### Independent Review

6. The recent governance changes responded to the recommendations of an independent review of the existing governance artefacts undertaken by an independent pensions industry expert (Barnett Waddingham) in late 2023. This review highlighted the need to reduce the potential for actual or perceived conflicts of interest.

#### General Code of Practice

7. In March 2024, the Pensions Regulator (TPR) published a new General Code of Practice that the LGPS has a statutory duty to comply with. In this, TPR describes conflicts of interest as follows:

*“Conflicts of interest may arise from time to time while running a pension scheme, either among members of the governing body themselves, or with service providers, sponsoring employers, advisers, and others. Conflicts can also arise for members of the governing body who for example, are members of the scheme or who represent trade unions. Conflicts of interest may be either actual conflicts or potential conflicts. Unless otherwise stated, references to ‘conflicts of interest’ include both actual and potential conflicts.”*

#### Government Consultation LGPS (England & Wales) Fit for the Future

8. The now closed, Government Consultation on future proofing the LGPS recognises there is currently no statutory requirement for administering authorities to have a conflicts of interest policy. As such, the Government proposes, in line with the recommendations of the Good Governance Review, to require LGPS administering authorities to have a conflicts of interest policy that considers conflicts of interest for Members serving on pension committees and covers conflicts between the administering authority and the employer.
9. The policy should recognise, manage, and mitigate all conflicts of interest and “... should ensure that administering authorities are taking proactive steps to mitigate the risks of conflicts not being addressed appropriately; by setting out how actual, potential, and perceived conflicts are addressed within the governance of the fund.”

#### **(Draft) Surrey Pension Fund Conflicts of Interests Policy**

10. At its meeting of 13 September 2024, the Committee approved several governance changes (as set out in the report Improving the Governance of the Surrey Pension Fund). This report responds to the Committee and Fund’s intention to draft a specific Conflicts of Interest Policy (Policy) that applies equally to all parties involved in the administration, management and governance of the Fund. The Fund has worked with Barnet Wadingham to draft the Policy at Annexe 1. It is intended that the Policy applies to:
  - c) Members of the Pension Fund Committee (including elected and co-opted members)
  - d) Members of any sub-committee of the Pension Fund Committee (including elected and co-opted members)
  - e) Members (employer and member representatives) of the Local Pension Board
  - f) Officers of Surrey County Council involved in the management and governance of the Fund
  - g) Third parties including advisers and suppliers to the Fund (including to the Committee, any sub-committee, the Board and Officers).

11. The Policy has been written to recognise the Council's dual role of the Fund administering authority and being one of circa 500 employers in the Fund (albeit it is the largest employer). It provides specific examples of circumstances where a conflict may arise. This addresses the recommendation of the Council's Internal Audit and the outcomes of the Good Governance Review in particular.
12. The Policy acknowledges the Surrey County Council (the Council) Constitution as it applies to Councillors, members of the Committee and Board, and officers and advisors. As such it is not intended the Policy conflicts with the provisions dealing with conflicts under the constitution of the Council.
13. The Council's Legal and Democratic Services teams have been consulted and their comments and amendments have been included in the draft Policy.

#### **CONSULTATION:**

14. The Chair of the Local Pension Board and the Chair of the Surrey Pension Committee have been consulted on this report.

#### **RISK MANAGEMENT AND IMPLICATIONS:**

15. Any relevant risk related implications have been considered and are contained within the report.

#### **FINANCIAL AND VALUE FOR MONEY IMPLICATIONS:**

16. Any relevant financial and value for money implications have been considered and are contained within the report. The cost of the resources necessary for implementing the changes recommended above and for delivering the administering authority role is met from the pension fund (under Regulation 4(5) of The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009).

#### **LEGAL IMPLICATIONS:**

17. There are no legal implications or legislative requirements. The County Council has delegated responsibility to the Pension Fund Committee for its statutory functions as the Administering Authority for the Fund. The scheme of delegations is the function of full Council and Legal will be part of any future options appraisal to ensure the Council undertakes its full due diligence.

#### **EQUALITIES AND DIVERSITY:**

18. There are no equality or diversity issues.

#### **OTHER IMPLICATIONS:**

19. There are no other implications.

**NEXT STEPS:**

20. The Board notes the content of this report.

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**Contact Officer:**

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**Annexes:**

1. Surrey Pension Fund Conflicts of Interest Policy – Annexe 1

**Sources/Background papers:**

1. None

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