



# CONFLICT MANAGEMENT POLICY

SEPTEMBER 2022



West Midlands Pension Fund

## INTRODUCTION

The West Midlands Pension Fund is one the largest UK pension schemes managing the pension benefits for over 330,000 members working in collaboration with over 800 employers.

Administered by the City of Wolverhampton Council, the West Midlands Pension Fund serves public sector employers across the region, borne out of the historic West Midlands County Council, its governing body memberships have collective representation of all categories of employers and members.

## GOVERNANCE STRUCTURE

Acknowledging the role the Fund plays in representing, collaborating and determining aspects which have the potential to impact its customers, the Fund operates as a stand-alone function with its administering authority, City of Wolverhampton Council, acknowledging the potential conflict which may arise from its dual role as employer within the Fund.

The Fund allocates and manages its own budget (in line with LGPS regulatory standards), operates from a separate office location (under legally enforceable lease arrangements, separate to the Council building) and in line with the Scheme Advisory Board Good Governance Project, has a dedicated senior LGPS Officer responsible for the management of Fund resources (including its people).

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

## PURPOSE

Notwithstanding the separate operating arrangements, the Fund acknowledges and is live to, the potential for conflicts to arise in both its governance and operational functions.

This policy seeks to outline the Fund's approach to identifying potential and actual conflicts and the process adopted to support their good management.

The Fund acknowledges that it is not always possible to eradicate conflicts, instead taking a balanced view on their mitigation and management.

## WHAT ARE CONFLICTS OF INTEREST?

A conflict of interest is a situation or circumstance where one or more persons or entities have competing interests and the serving of one, may involve the detriment to another.

A conflict of interest under this policy includes both an actual conflict (i.e. one that has arisen) and a potential conflict (i.e. one that may arise in a particular set of circumstances). It also includes a perceived conflict (even if one may not arise) together with actual or the perception of bias (the favouring of one over another, but not necessarily to any detriment).

Certain conflicts of interest are persistent and need to be managed on an ongoing basis, while others may arise in relation to a single event and can usually be managed by one off measures.

Failure by the Fund to recognise actual and potential conflicts have the ability to impede its ability to effectively deliver for its members and employers together with the potential for reputational damage and regulatory enforcement.

The Scheme Advisory Board's Good Governance Project outlined within its Phase 3 recommendations that 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.

## **IDENTIFIED CONFLICTS WITHIN THE WEST MIDLANDS PENSION FUND**

The following list is not exhaustive but seeks to identify the different roles played by the Fund in the management and administration of a fund within the Local Government Pension Scheme, its investment financial managements and benefit payments.

The following conflicts are identified as persistent conflicts.

### **OFFICERS AND EMPLOYEES**

Officers of the Fund are employees of the City of Wolverhampton Council and adhere to the Council's employee code of conduct (outlined in the Council's constitution).

Employees are required to conduct themselves in the highest standards placing their responsibility to the authority at the forefront of their conduct. This can include considerations on political and wider beliefs together with any other employment or voluntary work undertaken in addition to their role with the Fund.

Membership of the Fund is not in itself a conflict. However, certain roles have been identified as holding a higher risk of perceived conflict due to the nature of their roles and the level of information they have access to which could be sensitive or confidential information.

More information on the assessment of conflict for specific roles is outlined in the Fund's compliance manual and inside information policy.

### **GOVERNING BODIES**

Members of the Fund's governing bodies are required to adhere to the relevant Code of Conduct for their membership (elected Councillor, or Local Pension Board member), adhering to the ten principles of public life (Nolan Principles).

Each of the governing bodies have a duty to disclose conflicts of interest and are not allowed to participate in the decision making and debate of matters in which they hold a conflict.

Further information on the management of governing body conflicts is outlined in their Code of Conduct and Terms of Reference published on the Fund's website.

## ADMINISTERING AUTHORITY

The administering authority for the West Midlands Pension Fund is City of Wolverhampton Council.

The Fund operates separate to the day-to-day management of the Council with a designated LGPS Senior Officer responsible for the management of the Fund.

The Fund acknowledges the dual role the City of Wolverhampton Council plays in being the statutory body responsible for the Fund and as scheme employer and seeks to manage those conflicting roles through appropriate delegation and separation of duties.

Matters pertaining to the Council's statutory functions are managed by the Executive Director of Pensions (LGPS Senior Officer) and the Head of Governance, Risk and Assurance.

Further information on the role of statutory officers is published in the City of Wolverhampton Constitution and the Fund's *Governance Compliance Statement*.

## EMPLOYERS AND FUNDING

The Fund has a dedicated employer services team overseen by the Assistant Director, Pension Services, who manage City of Wolverhampton as a scheme employer (including the assessment of Funding and contribution rate under the triennial Actuarial Valuation process).

The Fund's *Funding Strategy Statement* outlines the process for independently assessing the covenant risk/strength of all employers within the Fund supported by independent risk advisors and the Fund Actuary.

More information on the Fund's approach to employer management can be found in the *Funding Strategy Statement* and *Risk Covenant Framework*.

## INVESTMENT POOLING

Within its investment strategy statement, the Fund has provided for investment pooling through LGPS Central Limited, a separate FCA-regulated entity owned in equal share with seven other administering authorities within the LGPS.

Within those arrangements the Fund has two distinct roles, one as Client/Customer and one as Shareholder (owner of LGPS Central Limited) with each role held separately by individual officers of the Fund with the responsibilities of each outlined in contractual arrangements (Shareholder agreement and Client Services/Investment Management Agreements).

More information on how the two roles are managed is outlined in the *Investment Pool Governance Framework*.

In addition to the above, the Fund recognises the following potential one-off conflicts.

## CONTRACTUAL ARRANGEMENTS WITH SERVICE SUPPLIERS

This can include services "procured" from the administering authority, where support services are provided by the core Council corporate service delivery, such as

- ICT support
- HR support
- Legal and Procurement support

Due to the separation of budgets, the Fund "procures" services from the administering authority to enable efficiency in service delivery and agrees the recharge of cost, based on the scope of service and utilisation each year. In cases where these services are provided, assessment is undertaken to ensure compliance with the procurement and fair competition rules.

The Fund adheres to the public contract regulations when appointing suppliers ensuring fair competition and market testing on the availability of suppliers and the best value offered in tenders.

More information on the Fund's procurement process can be found in the procurement procedure and contract procedure rules.

## ONGOING MONITORING AND REVIEW

This policy is reviewed on an annual basis and periodically where required.

Where potential conflict are identified these are declared, assessed and mitigated. Conflicts of Interest are included within the West Midlands' Local Pension Board workplan who receive quarterly reports on the governance of the Fund.

## VERSION CONTROL

Version	Author	Document title	Reviewed by	Adopted on
1.0	Head of Governance, Risk and Assurance	Conflicts Management Policy 2022	Pensions Committee	21 September 2022

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