

The Church of Scotland Pension Scheme for Ministers and Overseas Missionaries
The Church of Scotland Pension Scheme for Staff
The Church of Scotland Pension Scheme for Ministries Development Staff

Conflicts of Interest Policy

1. Introduction

- a. The management of conflicts of interest is part of good scheme governance. If conflicts are not managed effectively decisions may be taken that put the interests of beneficiaries at risk, or subsequently prove to be invalid. This policy aims to help Trustees to identify and manage conflicts and avoid such consequences.
- b. It is important that decisions are not tainted by conflicts of interest so that valid decisions are made, and are perceived to be made, in the beneficiaries' best interests.
- c. Conflicts of interest are taken very seriously by the Trustees. The Pensions Regulator has produced extensive Guidance and a set of Principles, the full text of which can be found on the Regulator's website.
- d. When considering conflicts of interest this can be done in three stages. The stages are **identification, monitoring and managing**.

2. Identification

A conflict of interest may arise when a Trustee is required to take a decision where:

- (1) The Trustee is obliged to act in the best interests of the scheme's beneficiaries, and
 - (2) at the same time the Trustee has or may have:
 - (a) a separate personal interest in the subject matter requiring a decision; or
 - (b) a fiduciary duty owed to another beneficiary, or other beneficiaries, of the Scheme in question whose interests do not coincide with those of the beneficiary or beneficiaries in respect of whom a decision requires to be made; or
 - (c) a fiduciary duty owed to another party who has an interest in or could potentially be affected by the decision on the subject matter in question.
- a. Appendix 1 sets out some potential conflict scenarios which could arise in relation to the Schemes.
 - b. Each Trustee should identify and acknowledge any potential conflict of interest.
 - c. Any Trustee who becomes aware of an actual or potential conflict of interest should notify the Chairman at the earliest opportunity and, except in cases where confidentiality is necessary, their fellow Trustees.
 - d. New Trustees will declare any potential conflicts of interest on appointment.
 - e. There should be a culture of openness - disclosure of conflicts should be embraced not ignored.

3. Monitoring

- a. The Trustees will maintain a register to record any interests or conflicts that are declared. See Appendix 2.
- b. Meeting agendas will have as a standing agenda item to consider any new relevant conflicts of interest.
- c. The minutes of meetings should record when conflicts are either disclosed or identified and the action taken to address the conflict. These will also be recorded in Appendix 3.
- d. The Trustees will maintain a gifts and hospitality register. See Appendix 5.

4. Management

- a. The way in which conflicts are managed should be case specific and should reflect the nature or scale of the conflict. Conflicts of interest can be managed by a variety of methods, for example:-
 - Full disclosure of the conflict may be sufficient and no further action is necessary.
 - A conflicted Trustee may choose not to, or be directed by the rest of the Trustees not to, vote on certain matters.

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- A conflicted Trustee may choose not to be involved in the discussion and voting on certain matters or may be so directed by the rest of the Trustees.
- A conflicted Trustee may resign as a trustee.
- b. Any employer issues being addressed at Trustees' meetings should be presented, in so far as possible, by a representative of the employing agency who is not appointed as a Trustee.
- c. Any Trustee who feels they have a conflict on a particular topic or agenda item should advise the Chairman in advance of the meeting (where possible). The Chairman should discuss the conflict with the Trustee prior to the meeting.
- d. Independent legal, or other professional, advice may be sought on a non-trivial conflict and where the conflict has the potential to be detrimental to the conduct or decisions taken by the Trustees.
- e. Some conflicts due to their acute or pervasive nature cannot be managed. Resignation by the conflicted Trustee may be the only option. In some situations, the appointment of an independent trustee may be the proper action.
- f. The decision as to which step to take is a matter for those Trustees present and not potentially conflicted. When deciding upon the appropriate steps, the Trustees should ask themselves whether a reasonable member of the public, knowing all relevant facts, would think that the decision-making process of those Trustees determining the issue might be influenced by the interest of the conflicted Trustee or conflicted adviser.

5. Advisers

- a. Trustees also need to ensure that adviser conflicts, that may affect the independence of advice, are identified and appropriately managed.
- b. A letter of appointment to an adviser should require disclosure of any conflicts that arise.
- c. A register of adviser interests will be maintained. See Appendix 4.
- d. Selection of a new adviser should include enquiries into the adviser's conflict management procedures and establish the existence of any potential conflicts of interest in relation to the Schemes.

6. Gifts and hospitality policy

- a. The Trustees must take care that the giving and receiving of gifts and hospitality does not go beyond what can be regarded as normal and acceptable lawful business practice.
- b. Gifts and hospitality provided by the Trustees must not be intended to influence improperly a business relationship or transaction; must not place the recipient under any obligation; and must not be capable of being misconstrued.
- c. Gifts and hospitality received by the Trustees must not be intended to influence improperly a business relationship or transaction.
- d. No gift should ever be in the form of money or other cash equivalent (e.g. vouchers).
- e. The giving of a gift with a value in excess of £50 (or equivalent in foreign currency) must be approved by the Chairman.
- f. The receipt of gifts where the value is likely to exceed £50 (or equivalent in foreign currency) should be made known to the Chairman and the gift should only be accepted with the approval of the Chairman.
- g. Hospitality should be commensurate with local custom having regard to the status of individuals attending.
- h. The provision or acceptance of significant corporate hospitality should be approved in advance by the Chairman.
- i. All gifts and hospitality in excess of £50 in value provided and received by the Trustees must be recorded in the Gifts and Hospitality Register at Appendix 5.

7. Member Nominated Trustees (MNTs)

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MNTs are not deemed to be conflicted solely because of their position as actual or potential beneficiaries. MNTs can normally take a full part in any discussions affecting the membership as a whole. They may, however, feel conflicted if discretionary benefits for individual beneficiaries known to them are being discussed or if a proposed course of action would have materially different effects for different classes of members.

8. Compliance

- a. Compliance with this Policy is the responsibility of all Trustees and members of staff. Failure to comply could lead to decisions being invalid and, in extreme cases, disqualification.
- b. Questions or concerns regarding this Policy should be referred to the Pensions Manager.

9. Review

This Policy should be reviewed by the Trustees on an annual basis. The Registers set out in Appendices 2-5 should be reviewed and updated as/when any aspect changes.

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Appendix 1

Examples of potential conflicts of interest

Conflict between Trustees' Interests and Employer Interests

As some of the Trustees are also employees of the Schemes' sponsoring employers and have interests associated with those roles, there is potential for conflict between the Trustee's interests and employer interests. For example:

- Valuation assumptions - The assumptions used for the Schemes' actuarial valuations will impact on the pattern of on-going costs of the Schemes, with the Trustees and the Employer possibly having conflicting interests.
- Investment strategy - Similarly, the interest underlying investment strategy may be somewhat different from the Trustee and corporate perspectives, as the investment strategy chosen and the level of risk inherent in that strategy will have a direct impact on the pattern of the contribution requirements.
- Pension increases – Where the Trustees have the power to make discretionary increases to pensions in payment, there could be a conflict between the Employer's desire not to increase Scheme liabilities and the Trustees' wish to award discretionary increases where funding allows.
- Costs - There could be conflict between the Employer's desire to control costs and Scheme expenses and the Trustees' needs or wishes to take advice.

Conflict between Trustee's Interests and Colleagues' / Members' Interests

Each Trustee owes a duty of care to the entire membership of the Scheme to which he/she is appointed and does not represent special interests. However, it is possible that a Trustee may more closely identify with the interests and concerns of the particular group of members with which the Trustee is associated. These interests could conflict with those of the Trustee in his/her trustee role. In addition, because the membership may not have uniform interests, there could be situations when the interests of the Trustees are not consistent with those of individual members. For example:-

- Actuarial factors - Factors used to calculate termination and early retirement benefits must be set in a way that comply with Scheme Rules and are reasonable, given the Scheme objectives, and fair for the members.
- Policies on early retirement, transfer values, pension sharing etc. - Members may have an interest in the most generous policies on early retirement and transfers, while the Trustees must make policy decisions in these areas that are reasonable for the ongoing future management and funding of the Schemes as a whole. With respect to pension sharing, the Trustees are entitled to charge members for the administration of pension sharing, while members will clearly have an interest in avoiding these costs.

Conflict between Trustees' Interests and Personal Interests

Each Trustee may have personal interests that could conflict with his or her interests as a Trustee. Examples include the following:-

- Individual member benefits - There will be a clear conflict of interest if any decision must be taken by the Trustees on the individual benefits to which any one of them is entitled.
- Adviser/fund manager appointments - It is possible that, due to business or personal relationships that a Trustee has with outside advisers, there could be a conflict of interest or perception of conflict in making decisions around the appointment or remuneration of professional advisers/fund managers.

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Conflict between Trustees' Interests and Interests of Church Members

As some of the Trustees are also members of the Church of Scotland ('the Church') as members of local parish churches, presbyteries and church councils and have interests associated with those memberships, there is a potential conflict of interest between the Trustee's interests and what might be perceived to be in 'the interests of the Church' and Church members. Examples include:-

- Governance - The adequate governance of the Scheme could potentially be questioned if it was considered that Trustees may be inclined to agree with the employer's interests if it was in the best interests of the Church and Church members.
- Financial - Financial pressures on the Church could be a conflict for the Trustees if it was considered that reducing financial pressures for the employer was in the 'best interest of the Church' and Church members.
- Strategy - Strategic planning for the Schemes may be inhibited by considerations of what is in the Church and Church members' interests which may be different to the best interests of the members of the Schemes.

Conflict between the Interests of each set of Trustees

Trustees who are Trustees of more than one of the Schemes may face having to take decisions in the best interests of one Scheme's beneficiaries which are not in the best interests of the beneficiaries in another Scheme. Examples include:-

- Adviser cost splitting amongst the Schemes - There could be a conflict of interest where the Trustees of all 3 Schemes have to decide how the remuneration of professional advisers for work carried out for all 3 Schemes will be split amongst the Schemes.
- Merger proposals - There could be a conflict of interest or perception of conflict in making decisions around any proposed merger of the Schemes due to each Scheme having different interests and dependencies.
- Buy-out proposals – There could be a conflict of interest or perception of conflict in making decisions around any proposed buy-out regarding the Schemes due to each Scheme having different characteristics.

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Appendix 2
Trustees' Register of Interests

Trustee	Interests	Comment
Graeme Caughey	Former employee of Aberdeen Standard Investments (ASI). Trustee of all three pension schemes: the Ministers' Scheme, the Staff Scheme and the MDS Scheme.	ASI no longer retained by the Trustees as fund managers and so no conflict exists. Whilst they were, ASI relationship delegated to the Investment Sub Group of which GC is not member. GC did not take part in any discussions and/or decisions concerning ASI. Kept under review.
Douglas Millar	Trustee of all three pension schemes: the Ministers' Scheme, the Staff Scheme and the MDS Scheme.	Kept under review.
Andrew Sutherland	Former employee of Standard Life Investments before it merged with Aberdeen Asset Management. Trustee of all three pension schemes: the Ministers' Scheme, the Staff Scheme and the MDS Scheme.	ASI no longer retained by the Trustees as fund managers and so no conflict exists. Kept under review
Robert Coulter	Trustee of all three pension schemes: the Ministers' Scheme, the Staff Scheme and the MDS Scheme.	Kept under review.
Hamish Scott	A family member employed in financial services industry but with no connection to the Schemes or their advisers. Trustee of all three pension schemes: the Ministers' Scheme, the Staff Scheme and the MDS Scheme.	No further action required unless the position changes.
Adrian Bark	Family members employed in financial services industry. None with any connection to the Schemes or their advisers. Previous Social Care Council member. Trustee of all three pension	No further action required unless the position changes.

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	schemes: the Ministers' Scheme, the Staff Scheme and the MDS Scheme.	
Pauline Gordon	Father-in -law is a minister and pensioner member of the Scheme of which PG is a Trustee	Kept under review.
Alan Garrity	Member of the Ministers Scheme	Kept under review.
Sue Anderson	Provides financial advice to some ministers in her professional capacity as an independent financial adviser.	Kept under review.
Lewis Rose	Member of the MDS scheme	Kept under review.
Neil Campbell	MDS employee & member of the MDS scheme. Father is a pensioner member of Ministers scheme of which NC is not a Trustee	Kept under review.
John Thomson	CSC employee, member of the Staff Scheme, Vice Chair of the Employee Council Committee which represents and negotiates terms and conditions of staff employed by the Church of Scotland Central Service Committee at the Joint Negotiating and Consultative Executive. Included in those staff are the Pensions Administration Team.	Kept under review.
Lin Macmillan	CSC employee, member of the Staff Scheme. LM is Secretary of CoS Housing and Loan Fund; applications may be influenced by future pensions increase decisions.	Kept under review. LM will flag if a conflict arises.
Jennifer Hamilton	CSC employee, member of the Staff Scheme	

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Appendix 3

Register of conflicts declared

Date/meeting	Name of Trustee/Adviser	Description of potential conflict	Guidance given	Outcome
03/05/18 ISG meeting	Andrew Sutherland	AS is a personal friend of the senior manager of the Aberdeen Standard Investments GARS Fund.	None needed	AS would not be taking part in the decision-making process for the replacement fund for the Aberdeen Target Return Bond Fund as the Aberdeen Standard Investments GARS Fund was on the shortlist of recommended funds.
17/05/18 PIF meeting	Andrew Sutherland	As above	As above	As above
09/08/18 ISG meeting	Andrew Sutherland	As above	As above	As above. AS did not take part in the decision making process for the selection of the preferred fund to replace the Aberdeen Target Return Bond Fund.
23/08/18 Trustees meeting	Alan Garrity	AG is a pensioner member of the Ministers Scheme and so has a personal interest in the decision making process for awarding discretionary benefits in the Ministers Scheme	Discussion at meeting	AG chose not to take part in the discussions on discretionary increases nor in the decision making process on this topic.
01/11/18 Deliverance group meeting	James McNeill (independent expert observer to the Trustees' deliverance report)	Mr McNeill's wife is a member of the Staff Scheme and Mr McNeill has been appointed to the Special Commission which was appointed by the General Assembly in October 2018 to look at the governance of the Church.	Discussion at meeting	It was agreed that these points did not give rise to a conflict which would impact on Mr McNeill's ability to give an independent view of the Trustees' actions and thought process in their preparation of the deliverance report for the GA 2019.
11/18	Simon Bree	SB has been appointed to a new position within S&F Dept; part of his new job role will be to act as the Trustees' Pensions Accountant. SB may have a perceived conflict of interest under the terms of the CSC Conflicts of Interest Policy.	Extensive discussions on all aspects during the Q4 2018 Trustees' meeting, the Chairman's Committee	The Trustees of the Staff Scheme agreed that there is an inherent conflict but this can be managed in the context of SB carrying out his role as a trustee of the Staff Scheme. However, the Staff Scheme Trustees agreed

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			and the Staff Scheme Trustees The Auditor was informed of the situation during the Pre-Audit Meet on 23/11/18	that this was a matter between SB & CSC to discuss to ensure that the CSC Conflicts of Interest Policy does not prevent SB remaining as a Trustee. SB subsequently resigned as a Trustee of the Staff Scheme.
03/12/18 Deliverance group meeting	Steve Kaney	Discussion and consideration was being given to the possibility of outsourcing the administration of the Schemes. This would have a direct impact on SK on a personal basis.	The deliverance group considered SK's position but no formal advice was needed.	The deliverance group agreed that SK's insight and knowledge of the administration of the Schemes would be a valuable contribution to the discussions and as no decision was being made at this meeting whether or not to outsource, it was agreed that SK would stay for discussions on this topic.

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Appendix 4
Register of Advisers' conflicts

Name of Adviser	Role	Services provided to sponsoring employers
Aon	Investment advisers	None
Burness Paull LLP	Legal advisers	Burness Paull from time-to-time advise the Church on legal matters (eg employment law issues) but these are not related to the Schemes.
Hymans Robertson LLP	Scheme Actuary & Actuarial advisers	Hymans provide advice on and calculations in respect of the Church's FRS102 accounting figures (including advice in relation to the setting of assumptions). Heather Allingham (Schemes' Actuary) has no involvement in any FRS012 work. Hymans also provide advice around PPF levies to the Trustees. This work is completed for the Trustees but is shared with the Church.
Chiene & Tait LLP	Scheme auditors	Chiene & Tait have no direct dealings with the Employing Agencies but do act as Secretary to Church of Scotland Insurance Services which is owned by the General Trustees of the Church of Scotland. There is no cross-over between the work of the Pension Trustees & the C of S IS.

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Appendix 5

Gifts and Hospitality register

Trustees should advise the Scheme Secretary of gifts and hospitality offered and accepted or declined. The Scheme Secretary will maintain the register on an ongoing basis.

Date	Name of Trustee	External party	Description of gift or hospitality	Accepted/declined	Estimated value (£)	Approved by and date