

## **Conflict of interest protocol**

### **1. Introduction**

This protocol sets out the process for identifying, monitoring and managing conflicts of interest in the governance and management of the Nottinghamshire Pension Fund. In conjunction with the Fund's other governance documents, the protocol is an aid to good governance, encouraging transparency and minimising the risk of any matter prejudicing decision-making or the management of the Fund.

The protocol relates to all individuals involved in the management and governance of the Nottinghamshire Pension Fund.

The council encourages a culture of openness and transparency, including in relation to its activities as Administering Authority. It encourages individuals to be vigilant and have a clear understanding of their role, the circumstances in which they may have a conflict of interest and how potential conflicts of interest should be managed.

### **2. Purpose and objectives**

The aim of the protocol is to provide guidance to members of the Nottinghamshire Pension Fund Committee and the Local Pensions Board, officers, advisers and suppliers on how to manage conflicts when undertaking their roles in relation to the Nottinghamshire Pension Fund. It is also intended to provide assurance to the Fund's members, employers and wider stakeholders that conflicts are managed appropriately.

Along with the County Council's other constitutional documents, including Codes of Conduct for members and officers, it aims to ensure that individuals involved in the governance and management of the Fund do not act improperly or create a perception that they may have acted improperly.

### **3. Who does this protocol cover?**

This protocol has been developed for the guidance of:

- All members of the Nottinghamshire Pension Fund Committee, including non-voting co-opted members
- All members of the Nottinghamshire Local Pensions Board
- Senior officers involved in the governance and management of the Pension Fund
- All advisers and suppliers to the Fund, whether providing advice or supplies to the Committee, Board or Fund officers

In this protocol, reference to advisers includes all advisers, suppliers and other parties providing advice and services to the Fund, including but not limited to:



- The asset pool operator
- Dispute adjudicators
- Actuaries
- Investment consultants
- Independent advisers
- Benefits consultants
- Third party administrators
- Fund managers
- Lawyers
- Custodians
- Additional Voluntary Contribution providers

Where an advisory appointment is with a firm rather than an individual, reference to ‘advisers’ is to the lead adviser(s) responsible for the delivery of advice and services to the Pension Fund rather than the firm as a whole.

In accepting any role covered by this protocol, individuals agree that they must:

- Acknowledge any potential conflicts of interest they may have
- Be open with the Pension Fund on any conflicts of interest they may have
- Adopt practical solutions to managing those conflicts (seeking advice from a relevant officer, as required)
- Plan ahead and agree with the Pension Fund how conflicts of interest may be managed

#### **4. Principles of public life**

The Seven Principles of Public Life, otherwise known as the ‘Nolan Principles’ and specified in the Localism Act 2011, apply to anyone who works as a public office-holder. This includes people who are elected or appointed to public office, nationally and locally. All of the individuals to whom this protocol applies are expected to comply with these principles, which are integral to the successful implementation of this Protocol.

The principles are:

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

## **5. Different types of conflicts of interest**

Nottinghamshire County Council's Constitution includes codes of conduct for both elected members and officers, together with a Member and Officer Relationship Protocol. The Code of Conduct for members includes requirements in relation to the disclosure and management of pecuniary interests and other interests.

It is generally accepted that LGPS administering authorities have both fiduciary and public law duties to act in the best interest of both the LGPS beneficiaries and participating employers. This, however, does not preclude those involved in the management of an LGPS fund from having other roles or responsibilities which may result in an actual or potential conflict of interest. Accordingly, it is good practice to document how any such conflicts or potential conflicts are to be managed.

The Public Services Pensions Act 2013 defines a conflict of interest as a financial or other interest that is likely to prejudice how a person carries out their role. Therefore, a conflict of interest may arise when an individual has a responsibility or duty in relation to the management of the Fund and at the same time has:

- A separate personal interest (financial or otherwise)
- Another responsibility in relation to that matter giving rise to a possible conflict with their responsibility

An interest could also arise because a family member or close colleague has a specific responsibility in relation to that matter.

## **6. Examples of where different conflicts of interest may arise**

Examples of where conflicts of interest may arise are set out below (these examples are not exhaustive):

### **6.1 Contribution setting for employers**

The setting of employer contribution rates must be done in a way that is fair and transparent. No employer or individual should be in a position to unduly influence the contribution setting process.

The Fund achieves this in the following way:

- The Funding Strategy Statement sets out the Fund's approach to all funding related matters including the setting of contribution rates
- This policy is set with regard to the advice of the Fund Actuary and is opened to consultation with all Fund employers before being formally adopted
- The approach to contribution setting is based on specific employer characteristics such as its time horizons and risk profiles

This approach ensures consistency across all employers and removes the possibility of any employer receiving more or less favourable treatment.

## **6.2 Delivering the Local Government Pension Scheme (LGPS) function for all employers**

All employers within the Fund are entitled to receive the same high-quality service and support from the Fund. Equally, the expectation on employers in respect of their obligations under the LGPS is the same. There should be no perception that the Council receives more favourable terms with regards to the service received from, or the obligations expected to, the Fund.

The Fund's administration strategy sets out the way in which the Fund works with its employers and the mutual service standards expected. The strategy details how the Fund will assist employers to ensure that they are best placed to meet their statutory LGPS obligations.

The Fund is run for the benefit of its members and on behalf of all its employers. It is therefore important that the Fund's expenditure is managed separately from the expenditure of the council. Decisions regarding pension fund resources are subject to specific delegations set out in the council's Constitution.

## **6.3 Investment decisions**

The primary investment objective of the Fund is to ensure that over the long term there will be sufficient assets to meet all pension liabilities as they fall due. Investment decisions have an impact on all employers within the Fund and so should reflect the long-term requirements of the Fund.

The Investment Strategy Statement sets out how the Fund's money will be invested to meet future liabilities and contains the Fund's investment objectives and the asset classes in which it will invest. It also contains the Fund's approach to assessing environmental, social and governance risks and how it will act as a responsible asset owner regarding engagement and voting shares for companies in which it is invested. The Statement also explains the Fund's approach to investments that deliver a social impact as well as a purely financial return.

All investment decisions are taken in accordance with the Investment Strategy Statement, following appropriate professional advice. No person with a conflict of interest relating to a particular investment decision may take part in that decision.

## **7. Managing conflicts of interest**

The Council recognises that its dual role as both an employer participating in the Fund and the body legally tasked with its management can produce the potential for conflicts of interest to arise in certain areas. It is important that these potential conflicts are managed to ensure that no actual or perceived conflict of interest arises and that all the Fund's employers and scheme members are treated fairly and equitably.

Where Committee and Board members are members of Nottinghamshire County Council they are subject to the County Council's code of conduct and their register of interests is published on the Council's website. Where the member is from a district, borough or the city council, they are bound



by the code of conduct of their nominating councils. Their registers of interest will be published on the website of the nominating council. Members of the Committee and Board who do not come from any of the previously mentioned bodies are required to subscribe to Nottinghamshire County Council's Code of Conduct and their disclosed interests are published on the county council website. If a member becomes aware of any changes during the year, it is their responsibility to update the register of interests.

To identify whether any member has an interest in any agenda item that is due to be discussed, the Chair will ask those present whether they have any conflicts to disclose. Any disclosures will be recorded in the minutes of the meeting. Depending on the kind of interest the member has declared, it may be necessary for them to leave the meeting during discussion on the matter. Anyone with a conflict of interest needs to refer to their Code of Conduct so that they understand what action they need to take.

Where a member of the Committee or Board is unsure whether they have a conflict of interest, they are advised to contact the committee support officer for advice in advance of any meeting at which that matter is likely to be discussed.

Where a member has a conflict of interest, it may be necessary to take professional advice to agree a satisfactory method of managing that risk. Where there is an ongoing conflict of interest, officers will work with the member concerned and, where applicable, the body that nominated them to agree the next steps to be taken.

## **8. Procedure for advisers**

All the Fund's key advisers are expected to have their own policies on how they manage conflicts of interest in their relationship with their clients. These should be shared with the Administering Authority.

Although this document applies to advisers, the operational procedures outlined above relating to completing ongoing disclosures are not expected to apply to advisers. Instead, all advisers must:

- Be provided with a copy of this document on appointment and whenever it is updated
- Adhere to the principles of this document
- Provide, on request, information in relation to how they manage and monitor actual or potential conflicts of interests relating to the provision of advice or services to the Fund
- Notify the Head of Pension Fund Investments immediately should a conflict of interest arise
- Declare actual or potential conflicts at the start of any Committee or Board meetings; these will be recorded in the minutes of the meeting

## **9. Key risks**

The risks to the delivery of this policy are outlined below:

- Insufficient training or poor understanding in relation to individuals' roles on Fund matters
- Insufficient training or failure to communicate the requirements of the policy



- Absence of the individual nominated to manage the operational aspects of the police and no one deputising, or failure of that individual to carry out the operational aspects in accordance with the policy
- Failure by a relevant Chair to take appropriate action when a conflict is highlighted at a meeting

All of these could result in an actual conflict of interest arising and not being properly managed.

## **10. Review**

This Protocol will be kept under review as required and as a minimum at least once every three years as part of the regular review of all the Fund's strategies.