

NORTHUMBERLAND COUNTY COUNCIL PENSION FUND
Pension Fund Panel Meeting 4 September 2017



Conflicts of Interest Policy
for Northumberland County Council
LGPS
administered by Northumberland
County Council

22 May 2015

CONFLICTS OF INTEREST POLICY

Introduction

Conflicts of interest have always existed for those with Local Government Pension Scheme (LGPS) administering authority responsibilities as well as for advisers to LGPS funds. This simply reflects the fact that many of those managing or advising LGPS funds will have a variety of other roles and responsibilities, for example as a member of the LGPS, as an Elected Member of an employer participating in the LGPS or as an adviser to more than one LGPS administering authority. Further, any of those persons may have an individual personal, business or other interest which might conflict, or be perceived to conflict, with their role managing or advising LGPS funds.

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 the 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 within a policy, such as this, how any such conflicts or potential conflicts are to be managed.

Purpose and objectives

This is the Conflicts of Interest Policy of the Northumberland County Council LGPS Pension Fund, which is managed by Northumberland County Council (the administering authority). The Policy details how actual and potential conflicts of interest are identified and managed by those involved in the management and governance of the Northumberland County Council Pension Fund, whether directly, or in an advisory capacity.

This Conflicts of Interest Policy is established to guide the Pension Fund Panel members, NCC LGPS Local Pension Board members, officers and advisers. Along with other constitutional documents, including various Codes of Conduct, it aims to ensure that those individuals do not act improperly or create a perception that they may have acted improperly. It is an aid to good governance, encouraging transparency and minimising the risk of any matter prejudicing decision making or management of the Fund otherwise.

The Administering Authority's objectives, as they relate to governance of the Pension Fund are to:

- ensure robust governance arrangements are in place to facilitate informed decision making supported by appropriate advice, policies and strategies, which do not unreasonably favour one group of stakeholders over another;
- ensure the Pension Fund is managed and its services delivered by people who have the appropriate knowledge and expertise;
- comply with all appropriate legislation and statutory guidance, and to act in the spirit of other relevant guidelines and best practice guidance.

The identification and management of potential and actual conflicts of interest is integral to the Administering Authority achieving its governance objectives which are set out in the NCC LGPS Governance Policy and Compliance Statement.

To whom this Policy applies

This Policy and the issue of conflicts of interest in general must be considered in the light of each individual's role, whether this is a management, advisory or assisting role. This Conflicts of Interest Policy applies to:

- all members of the Pension Fund Panel and the NCC LGPS Local Pension Board, including scheme member and employer representatives, whether voting members or not;
- all employees of Northumberland County Council who are involved in the management of the Pension Fund and administration of the LGPS including the Chief Financial Officer and Monitoring Officer; and
- all advisers and suppliers to the Fund, whether advising the NCC LGPS Pension Board, Pension Fund Panel or officers, in relation to their role in advising or supplying the Fund.

The Chief Financial Officer will monitor potential conflicts for less senior officers involved in the daily management of the Pension Fund and highlight this Policy to them as he or she considers appropriate.

In this Policy, reference to advisers includes all advisers, suppliers and other parties providing advice and services to the Administering Authority in relation to LGPS Pension Fund matters. This includes but is not limited to actuaries, investment consultants, independent advisers, benefits consultants, third party administrators, fund managers, lawyers, custodians and AVC 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 Administering Authority rather than the firm as a whole.

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

- acknowledge any potential conflict of interest they may have;
- be open with the Administering Authority on any conflicts of interest they may have;
- adopt practical solutions to managing those conflicts; and
- plan ahead and agree with the Administering Authority how they will manage any conflicts of interest which arise in future.

The procedures outlined later in this Policy provide a framework for each individual to meet these requirements.

Legislative and related context

The overriding requirements in relation to the management of potential or actual conflicts of interest for those involved in LGPS funds are contained in various elements of legislation and guidance. These are considered further below.

The Public Service Pensions Act 2013

Section 5 of this Act requires that the scheme manager (in the case of the LGPS, this is the Administering Authority) must be satisfied that a local pension board member does not have a conflict of interest at the point of appointment and from time to time thereafter. It also requires local pension board members (or nominated members) to provide reasonable information to the scheme manager for this purpose.

The 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).”

Further, the Act requires that scheme managers must have regard to any such guidance that the national scheme advisory board issue (see below).

The Local Government Pension Scheme Regulations 2013

Regulation 108 of these Regulations applies the requirements of the Public Service Pensions Act (as outlined above) to the LGPS, placing a duty on each administering authority to satisfy itself that local pension board members do not have conflicts of interest on appointment or whilst they are members of the board. It also requires those local pension board members to provide reasonable information to the administering authority in this regard.

Regulation 109 states that each administering authority must have regard to guidance issued by the Secretary of State in relation to local pension boards. Further, regulation 110 provides that the national scheme advisory board has a function of providing advice to administering authorities and local pension boards. The LGPS national scheme advisory board has issued guidance relating to the creation of local pension boards including a section on conflicts of interest. This Conflicts of Interest Policy has been developed having regard to that guidance.

The Pensions Act 2004

The Public Service Pensions Act 2013 also added a number of provisions to the Pensions Act 2004 related to the governance of public service pension schemes and, in particular, conflicts of interest.

Section 90A requires the Pensions Regulator to issue a code of practice relating to conflicts of interest for local pension board members. The Pensions Regulator has issued such a code and this Conflicts of Interest Policy has been developed having regard to that code.

Further, under section 13, the Pensions Regulator can issue an improvement notice (i.e. a notice requiring steps to be taken to rectify a situation) where it is considered that the requirements relating to conflicts of interest for local pension board members are not being adhered to.

The Localism Act 2011

Chapter 7 of this Act requires councillors to comply with the code of conduct of their local authority and that code of conduct must be consistent with the Seven Principles of Public Life (considered further below). In addition the Act requires that the code of conduct must include provisions requiring the disclosure and registration of pecuniary interests and interests other than pecuniary interests.

The Seven Principles of Public Life

Otherwise known as the 'Nolan Principles', the seven principles of public life apply to anyone who works as a public office-holder. This includes people who are elected or appointed to public office, nationally and locally, and all people appointed to work in:

- the civil service;
- local government;
- the police;
- the courts and probation services;
- non-departmental public bodies; and
- health, education, social and care services.

Many of the principles are integral to the successful implementation of this Policy:

- selflessness;
- integrity;
- objectivity;
- accountability;
- openness;
- honesty; and
- leadership.

Advisers' professional standards

Many advisers will be required to meet professional standards relating to the management of conflicts of interest, for example, the Fund Actuary will be bound by the requirements of the Institute and Faculty of Actuaries. Any contract, protocol or other document entered into between an adviser and the Administering Authority which includes any requirement relating to conflicts of interest, whether as a professional body or otherwise, should be read in conjunction with this Policy.

Administering Authority specific requirements

Pension Fund Panel Members

In addition to the requirements of this Policy, Pension Fund Panel members and co-opted members are required to adhere to the Northumberland County Council Members' Code of Conduct which includes requirements in relation to the disclosure and management of personal and pecuniary interests.

NCC LGPS Local Pension Board members

In addition to the requirements of this Policy, NCC LGPS Local Pension Board members are required to adhere to Part 7 of the Terms of Reference of the NCC LGPS Local Pension Board which includes declaring any interests that may lead to a conflict of interest.

Employees

In addition to the requirements of this Policy, employees of Northumberland County Council are required to adhere to the Northumberland County Council Employees' Code of Conduct which includes requirements in relation to the disclosure and management of personal and pecuniary interests.

Advisers and suppliers

The Administering Authority appoints its own advisers and suppliers. How conflicts of interest will be identified and managed should be addressed within its contractual agreements with those advisers and suppliers. In addition, the following requirements will apply:

- where
 - the Administering Authority's advisers are asked to give advice to the Council or other scheme employer, or to scheme members or member representatives such as the Trades Unions, in relation to pension matters; or
 - where an adviser is also appointed to another administering authority which is involved in a transaction involving the Fund and on which advice is required,
that adviser can only continue to advise the Administering Authority and another party where there is no conflict of interest in doing so; and
- where the NCC LGPS Local Pension Board decides to appoint an adviser, this can be the same person as is appointed to advise the Pension Fund Panel or officers as long as there is no conflict of interest between the two roles.

Conduct at meetings

There may be circumstances where a representative of employers or members wishes to provide a specific point of view on behalf of an employer (or group of employers) or member (or group of members). The Administering Authority requires that any individual wishing to speak from an employer's or member's viewpoint must state this clearly, e.g. at a NCC LGPS Local Pension Board or Pension Fund Panel meeting, and that this will be recorded in the minutes.

What is a conflict or potential conflict and how will they be managed?

The Public Service Pensions Act 2013 defines a conflict of interest as a financial or other interest which is likely to prejudice a person's exercise of functions.

Therefore, a conflict of interest may arise when an individual:

- has a responsibility or duty in relation to the management of or advice for the LGPS administered by Northumberland County Council; 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 his/her first responsibility.

An interest could also arise due to a family member or close colleague having a specific responsibility or interest in a matter.

Some examples of potential conflicts are included in **Appendix 1**.

Northumberland County Council will encourage a culture of openness and transparency and will encourage individuals to be vigilant, have a clear understanding of their role and the circumstances in which they may find themselves in a position of conflict of interest, and of how potential conflicts should be managed. Northumberland County Council will evaluate the nature of any dual interests or responsibilities that are highlighted and assess the impact on LGPS Pension Fund operations and good governance were an actual conflict of interest to materialise.

Ways in which conflicts of interest may be managed include:

- the individual concerned abstaining from discussion, decision-making or providing advice relating to the relevant issue;
- the individual being excluded from the meeting(s) and any related correspondence or material in connection with the relevant issue (for example, a report for a Pension Fund Panel meeting); or
- a working group or sub-committee being established, excluding the individual concerned, to consider the matter outside of the formal meeting (where the terms of reference permit this to happen).

Provided that the Administering Authority (having taken any professional advice deemed to be required) is satisfied that the method of management is satisfactory, Northumberland County Council shall endeavour to avoid the need for an individual to have to resign due to a conflict of interest. However, where the conflict is considered to be so fundamental that it cannot be effectively managed, or where a NCC LGPS Local Pension Board member has an actual conflict of interest as defined in the Public Service Pensions Act, the individual will be required to resign from the Panel, Board or appointment.

Responsibility

Northumberland County Council as the Scheme Manager (as defined in the Public Service Pensions Act 2013) for the Northumberland County Council LGPS Pension Fund must be satisfied that conflicts of interest are appropriately managed. For this purpose, the Chief Financial Officer* and Monitoring Officer are the designated individuals for ensuring the procedure outlined below is adhered to.

However, it is the responsibility of each individual covered by this Policy to identify any potential instances where his/her personal, financial, business or other interests might come into conflict with his/her LGPS Pension Fund duties.

* from May 2015, the Chief Financial Officer has nominated the Principal Accountant (Pensions) as main contact for implementation of this Policy.

Operational procedure for officers, Pension Fund Panel members and NCC LGPS Local Pension Board members

What is required	How this will be done
Step 1 - Initial identification of interests which are or could give rise to a conflict.	<p>On appointment to their role or on the commencement of this Policy if later, all individuals will be provided with a copy of this Policy and be required to complete a Declaration of Interest the same as or similar to that included in Appendix 2.</p> <p>The completed declarations will be provided by each individual to the Principal Accountant (Pensions) who will assess the extent to which any declarations are relevant to the individual's role in relation to the LGPS Pension Fund and collate the information into the Pension Fund Register of Conflicts of Interest in a format the same or similar to that included in Appendix 3.</p>
Step 2 - Ongoing notification and management of potential or actual conflicts of interest	<p>At the commencement of any Pension Fund Panel, NCC LGPS Local Pension Board or other formal meeting where LGPS Pension Fund matters are to be discussed, the Chairman will ask all those present who are covered by this Policy to declare any new interests and potential conflicts. These will be recorded in the Fund's Register of Conflicts of Interest. In addition, the latest version of the Register will be made available by the Principal Accountant (Pensions) to the Chairman of every meeting prior to that meeting.</p> <p>Any individual who considers that he/she or another individual has a potential or actual conflict of interest which relates to an item of business at a meeting, must advise the Chairman and the Principal Accountant (Pensions) prior to the meeting, where possible, or state this clearly at the meeting at the earliest possible opportunity. The Chairman, in consultation with the</p>

	<p>Principal Accountant (Pensions), should then decide whether the conflicted or potentially conflicted individual needs to leave the meeting during the discussion on the relevant matter or to withdraw from voting on the matter.</p> <p>If such a conflict is identified outside of a meeting the notification must be made to the Principal Accountant (Pensions) and where it relates to the business of any meeting, also to the Chairman of that meeting. The Principal Accountant (Pensions), in consultation with the Chairman where relevant, will consider any necessary action to manage the potential or actual conflict.</p> <p>Where information relating to any potential or actual conflict has been provided, the Principal Accountant (Pensions) may seek professional advice as they think fit (such as legal advice from the Monitoring Officer or other source) on how to address any identified conflicts.</p> <p>Any such potential or actual conflicts of interest and resulting action must be recorded on the Pension Fund's Register of Conflicts of Interest.</p>
<p>Step 3 - Periodic review of potential and actual conflicts</p>	<p>At least once every 12 months, the Principal Accountant (Pensions) will provide to all those to whom the above procedures apply a copy of the Pension Fund's Register of Conflicts of Interest. All individuals will confirm in writing to the Principal Accountant (Pensions) that the information held in relation to them is correct. If that is not the case, they will complete a new Declaration of Interest as per step 1 and the Register will be updated. (Following this exercise, the updated Register will then be re-circulated by the Principal Accountant (Pensions) to all individuals to whom the above procedures apply.</p>

Operational procedures for advisers

Although this Policy applies to all advisers, the operational procedures outlined in steps 1 and 3 above relating to completing ongoing declarations are not expected to apply to advisers. Instead all advisers must:

- be provided with a copy of this Policy on appointment and whenever it is updated;
- adhere to the principles of this Policy;
- provide, on request, information to the Principal Accountant (Pensions) in relation to how they will manage actual or potential conflicts of interest relating to the provision of advice or services to Northumberland County Council; and
- notify the Principal Accountant (Pensions) immediately should a potential or actual conflict of interest arise.

All potential or actual conflicts notified by advisers will be recorded in the Fund's Register of conflicts of interest.

Monitoring and reporting

The Fund's Register of Conflicts of Interest may be viewed by any interested party at any point in time. It will be made available by the Principal Accountant (Pensions) on request.

In order to identify whether the objectives of this Policy are being met the Administering Authority will review the Fund's Register of Conflicts of Interest on an annual basis and consider whether there has been any potential or actual conflicts of interest that were not declared at the earliest opportunity.

Key risks

The key risks to the delivery of this Policy are outlined below, all of which could result in an actual conflict of interest arising and not being properly managed. The Pension Fund Panel the Monitoring Officer and the Chief Financial Officer with the assistance of Principal Accountant (Pensions) will monitor these and other key risks and consider how to respond to them. Key risks are:

- insufficient training or poor understanding in relation to individuals' roles on LGPS Pension Fund matters;
- insufficient training or failure to communicate the requirements of this Policy;
- absence of the individual allocated to manage the operational aspects of this Policy and no one deputising or failure of that individual to carry out the operational aspects in accordance with this Policy;
- failure by a chairperson to take appropriate action when a conflict is highlighted at a meeting; and
- failure by a NCC LGPS Local Pension Board member to make a declaration of interest resulting in an actual conflict of interest.

Costs

All costs related to the operation and implementation of this Policy will be met directly by Northumberland County Council Pension Fund. However, no payments will be made to any individuals in relation to any time spent or expenses incurred in the disclosure or management of any potential or actual conflicts of interest they may have under this Policy.

Approval, review and consultation

This Conflicts of Interest Policy was approved at the Northumberland County Council Pension Fund Panel meeting on 22 May 2015. It will be formally reviewed and updated at least every three years or sooner if the conflict management arrangements or other matters included within it merit

reconsideration including if there are any changes to the LGPS or other relevant Regulations or Guidance which need to be taken into account.

Further information

If you require further information about anything in or related to this Conflicts of Interest Policy, please contact:

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Examples of potential conflicts of interest

- a) An elected member on the Pensions Fund Panel is asked to provide views on a funding strategy which could result in an increase/decrease in the employer contributions required from the employer he or she represents.
- b) A member of the Pension Fund Panel is on the board of an adviser / supplier / investment Manager that the Pension Fund Panel is considering appointing.
- c) An officer or member of a Pension Fund Panel accepting hospitality and gifts from a potential adviser or supplier could be perceived as a potential or actual conflict of interest, particularly where a procurement exercise relating to those services is imminent.
- d) An employer representative on the NCC LGPS Local Pension Board is employed by a company to which the administering authority has outsourced its pension administration services and the LGPS Local Pension Board is reviewing the standards of service provided by that company.
- e) The person appointed to consider internal disputes is asked to review a case relating to a close friend or relative.
- f) The Administering Authority is considering buying its own payroll system for paying pensioners, rather than using the payroll system used for all employees of the Council. The Chief Financial Officer, who is responsible for the budget of the Council, is expected to approve the report to go to the Pension Fund Panel which, if agreed, would result in a material reduction in the recharges to the Council from the Fund.
- g) An officer of the Fund is asked to provide guidance to the NCC LGPS Local Pension Board on the background to an item considered at the Pension Fund Panel. This could be a potential conflict as the officer could consciously or sub-consciously avoid providing full details, resulting in the Board not having full information and not being able to provide a complete view on the appropriateness or otherwise of that Pension Fund Panel item.
- h) Officers of the Fund are asked to provide a report to the NCC LGPS Local Pension Board or Pension Fund Panel on whether the administration services should be outsourced which, if it were to happen, could result in a change of employment conditions or job insecurity for them.
- i) An employer representative employed by the Administering Authority and appointed to the NCC LGPS Local Pension Board to represent employers generally could be conflicted if he or she only serves to act in the interests of the Administering Authority, rather than those of all participating employers. Equally, a member representative, who is also a trade union

representative, appointed to the NCC LGPS Local Pension Board to represent the entire scheme membership could be conflicted if he or she only acts in the interests of his/her union and union membership, rather than all scheme members.

- j) A Fund adviser is party to the development of a strategy which could result in additional work for his/her firm, for example, delegated consulting of fund investments or providing assistance with monitoring the covenant of employers.
- k) An employer representative has access to information by virtue of his or her employment, which could influence or inform the considerations or decisions of the Pension Fund Panel or NCC LGPS Local Pension Board. He or she has to consider whether to share this information in the light of his/her duty of confidentiality to his/her employer. His/her knowledge of this information will put him/her in a position of conflict if it is likely to prejudice his/her ability to carry out his/her functions as a member of the Pension Fund Panel or NCC LGPS Local Pension Board.

Declaration of interests relating to the management of the Northumberland County Council LGPS Pension Fund administered by Northumberland County Council

Tick as appropriate

I, _____ [full name], am:

- an officer involved in the management/administration
- a Pension Fund Panel member
- a LGPS Local Pension Board member

of the Northumberland County Council LGPS Pension Fund and I set out below under the appropriate headings my interests, which I am required to declare under the Northumberland County Council LGPS Conflicts of Interest Policy. I have put "none" where I have no such interests under any heading.

Responsibilities or other interests that could result in a conflict of interest (please list and continue overleaf if necessary):

A) *Relating to me*

B) *Relating to family members or close colleagues*

Undertaking:

I declare that I understand my responsibilities under the Northumberland County Council LGPS Conflicts of Interest Policy. I undertake to notify the Principal Accountant (Pensions) of any changes in the information set out above.

Signed _____ **Date** _____

Name (CAPITAL LETTERS) _____

Northumberland County Council LGPS - Register of Potential and Actual Conflicts of Interest

All reported conflicts of interest will be recorded in the minutes and a register of conflicts will be maintained and reviewed annually by Northumberland County Council, the Administering Authority.

Date identified	Name of Person	Role of Person	Details of conflict	Actual or potential conflict	How notified ⁽¹⁾	Action taken ⁽²⁾	Follow up required	Date resolved

⁽¹⁾ E.g. verbal declaration at meeting, written conflicts declaration, etc

⁽²⁾ E.g. withdrawing from a decision making process, left meeting