

### Actuarial Objectivity and Conflicts of Interest

The Financial Reporting Council (FRC) the UK's independent regulator is responsible for promoting confidence in corporate reporting and governance, and oversees auditors, accountants and actuaries. The FRC provides reporting and professional standards and, if necessary, disciplines professionals and firms. On 14<sup>th</sup> November the FRC published a [report](#) entitled "Challenges for users of actuarial information arising from current market conditions; A 2009 update". The areas of attention highlighted were –

1. Business strategy, operation and models – with emphasis on customer behaviour and change.
2. Risk management and changes emerging through 2009 and adapting thereto.
3. Scenario analysis and testing potential outcomes in the light of new information.
4. Investment and re-investment returns, discount rates and cash flows.
5. Actuaries; their terms of reference, objectivity and conflicts of interest.

Unsurprisingly it was the last aspect that caught my eye, coming so soon after publication of the new Actuaries' Code! (See Snippets Nov. 2009). Recognising the implicit self assessment involved, expanding point 5 implies –

- Checking that your actuary's terms of reference are adequate for the task presented.
- Ensuring that your actuary is given a wide enough and challenging remit.
- Making sure your actuary is free to express (potentially unfavourable) opinions and concerns.
- Avoiding conflicts of interest and constraints on objectivity, even if this involves avoiding or restricting additional fee earning opportunities or project work.
- Making sure your actuary has sufficient and appropriate internal or external peer review and support.

### Protection for the Pension Protection Fund (PPF)

The High Court has come to the aid of the PPF. The [case](#), Independent Trustee Services Limited v Hope, involved the Ilford Pension Scheme whose sponsoring employer was insolvent, but had not yet triggered a PPF assessment period.

The issue was basically whether the scheme trustees could selectively buy out member benefits not covered by the PPF before the scheme fell into the PPF, whereupon the remaining members would receive same PPF compensation which didn't depend on the level of funds, or more precisely the level of further depleted funds! Put another way; Should the trustees not do everything possible to secure all member benefits even if this means dumping additional liabilities on the PPF (and hence levy payers).

Mr. Justice Henderson threw out the case not as a breach of trust but as a "*blatant attempt to undermine or circumvent the policy of the PPF legislation*" and "*could hardly be more inimical to the public interest*". There was no suggestion of not having come off the fence with that perspective. A comparable investment risk with PPF underwriting before wind up would be the 3.30 pm at Kempton!

### Guaranteed Minimum Pension (GMP) Equalisation

This is normally reading material reserved as a cure for insomnia. The PPF have however published their view on the way to equalise GMPs. I believe this will be influential for pension schemes in general. Whilst administrators of pension schemes in a PPF assessment period may be salivating at the prospect of complex time-cost remunerated extra work, trustees of ongoing schemes should undoubtedly take a more relaxed view.

The recent PPF [report](#) comes 18 months after the initial consultation and further work is required in tackling the administrative complexities of calculation and reporting. Perhaps the first step should be getting this on your administrator's agenda alongside that long postponed data audit!

**And finally;** High street shopping takes on a new perspective. Photographic retailer Jessops has [restructured](#) in time for the crucial pre Christmas shopping period. The new entity will be owned by HSBC (47%), the employees (20%) and by the trustees of the company pension scheme (33%). Perhaps a small consolation that a third of the profit of some of your festive spending will go toward reducing pension deficits and PPF levies!

*As always, for further comment, assistance, advisory or trustee services, contact me on 07714 064964 or via [allan@acmca.co.uk](mailto:allan@acmca.co.uk) Feedback on Pension Snippets is always welcome. For further details, the full CV, occasional lecture notes and published articles and previous Snippets - visit the web site at [www.acmca.co.uk](http://www.acmca.co.uk)*