



CONFLICTS PENSIONS CASE STUDIES FOR CURRENT HIGHLIGHTS AND ISSUES IN PENSIONS

October-November 2013

Case Study A

You are part of a small team of Scheme Actuaries providing actuarial advice to trustees of pension schemes. As part of a packaged service, your employer, “Pensions One Place” (POP) provides administrative services to the trustees and accounting information to the sponsoring employer, “Goes The Weasel” (GTW) of one particular scheme, to which you are Scheme Actuary.

Your appointment letter with the trustees states that any actuarial work that is not reserved work will be carried out by another actuary in your team when the Scheme Actuary is not available.

Occasionally, POP has discussions with the trustees or GTW about the responsibility for a potential error that may have arisen in the course of POP's work for the trustees. POP would like some actuarial calculations to be done to enable them to consider whether to make a compensation offer to the trustees and, if so, how much.

POP has asked whether another actuary from your team could be involved in the calculations. The nature of the calculations is likely to be closer to a calculation service rather than actuarial advice at this stage.

You are made aware that POP does not wish the trustees to be informed of the calculations at this stage, unless and until it determines whether to make a compensation offer. You have been asked whether this work could be carried out by another actuary in your team whilst not informing the trustees, or you, as Scheme Actuary, of the calculations being undertaken, or of the results obtained.

You wonder if you, the Scheme Actuary or any of the other actuaries in your team have any duties under the Actuaries' Code or APS P1 which might impact on the approach you take to manage these requests.



Case Study A: Discussion Points

- 1. What section(s) of the Actuaries' Code might be relevant here?**
- 2. What steps might you/the actuaries in your team take to manage the conflict?**
- 3. Should you/POP disclose this calculations work to the trustees?**
- 4. Is there a conflict of interest if someone outside the trustee advisory team provides advice to GTW?**
- 5. Would the position be any different if someone inside the trustee advisory team provides advice to the employer?**
- 6. Must the other actuary judge if a piece of work requested by POP might be a relevant interest of you as the Scheme Actuary and, if he feels it is, does he have a duty to tell you as the Scheme Actuary of the approach made by POP?**
- 7. What happens if you, as the Scheme Actuary, become aware of information which is relevant to the trustees?**



Case Study 2

You are the Scheme Actuary to your employer's pension scheme and also a member of the pension scheme accruing benefits within the scheme. You have been the Scheme Actuary for 10 years. You are reviewing conflicts of interest in light of changes to APS P1 dealing with conflicts.

A number of other parties are involved in providing advice :

- Another actuary in your team provides a calculation service (to the employer) only in connection with FRS17 disclosures and insurance company capital assessment numbers (you are not involved);
- The trustees seek advice from external actuarial consultants on investment;
- Stochastic modelling in connection with funding scenarios is provided by a third actuarial firm (to the employer).

Your advice is overseen by investment consultants and the trustees also rely on their advice when setting contributions.

You wonder if you are still able to act as the Scheme Actuary and whether you need to put in place a formal Conflict Management Plan ("CMP") to document the agreements that are in place following the issue of APS P1 v. 2.0.



Case Study B Discussion Points

- 1. What section(s) of the Actuaries' Code or APS P1 v2.0 might be relevant here?**
- 2. What practical steps might you have to take in order to ensure you are still able to maintain your appointment as the Scheme Actuary?**
- 3. What potential conflicts matters might arise in this particular factual situation?**
- 4. Do you need to put in place a formal CMP?**
- 5. What should the CMP contain?**
- 6. If , having prepared and sent out the CMP, it is not returned signed within a specified period, can there be deemed agreement as to its terms?**
- 7. Are there other issues you need to consider given that your "advice is overseen by the investment consultants"?**