

## Annual Pensions Convention 2005

The De Vere Grand Hotel, Brighton, 5-7 June

### Agenda

- Risks
- Why Do Actuaries Get It Wrong?
- What Do Clients Want?
- What Do Clients Get?
- Why Actuaries Should Read The Trust Deed and Rules

### Risks

#### **Caveated advice or Leadership by Recommendation: Treading the Thin Line**

- Balance between advising on alternatives and issuing recommendations;
- How and why actuaries get it wrong – from experience on PI claims in the courts;
- How loose wording of advice can lead to problems down the line;
- Clients want to know what to do, not what not to do; and
- Why actuaries should read the rules:-
  - Contributions rules;
  - Augmentation rules;
  - Power of amendment.

## Why Do Actuaries Get It Wrong?

- Straight Negligence
  - Calculate wrong benefits e.g. Revaluation of deferred pensions
  - Actuarial calculations are just wrong
- Incomplete Advice
  - Mismatching interest adjustment with underlying investment (on sales & purchases)
  - Not recommending actions to limit

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## Why Do Actuaries Get It Wrong?

- Transfer Payments
  - Overpayment (i.e. Actuarial reserve rather than ... )
- Advice/ Setting of contribution rate
- Calculations of early retirement pensions
- Actuaries recommend one course - trust deed and rules say otherwise

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## What Do Clients Want?

- Advice on Alternatives
- Details on Practical Options
- Recommendations

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## What Do Clients Get?

- Incomplete advice on alternatives
- Rambling options
- Limited recommendations

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## Contribution Rule Common Alternatives

### Company Friendly

- Company with no reference to actuarial advice
- Company having regard to actuarial advice
- Company having consulted Trustees with actuarial advice

### Trustee Friendly

- The actuary
- Trustee having regard to actuarial advice
- Trustee having consulted company with actuarial advice

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## Contribution Rule Actuarial Pitfalls

- Currently subject to MFR
- When SSFR comes in still need to analyse impact on interaction with contribution rule
- *When is it actually actuary's decision* – George Newnes

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## Augmentation Rule Common Alternatives

- Company directs Trustees – no reference to additional payments
- Company directs Trustees with reference to additional payment
- Company requests Trustees
- Trustees power only
- Trustee with consent of the Company

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## Augmentation Rule Pitfalls

- How to calculate cost – funding, cash equivalent, wind-up
- Payments necessary if there is a surplus? (ha ha)
- Impact of priority orders
- Should actuary advise Trustees not to augment

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## Power of Amendment Common Alternatives

- Company without Trustee consent
- Company with Trustee consent
- Trustee only
- Trustee with Company consent

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## Power of Amendment Pitfalls

- Who should advise Trustees whether to amend/consent to amendment?
  - Actuary
  - Lawyer

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