

**Capital Cranfield Trustees**  
THE BALANCED VIEW

**The Actuarial Profession**  
making financial sense of the future

## Good Governance – How Trustees Manage and Monitor their Actuarial Advisers

Allan Course, Capital Cranfield Trustees

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### Where are we now?

- Over the last few years, the expectations of many Trustee Boards of what they want from their actuaries have changed
- The Pensions Regulator expects Trustees to understand and challenge the advice given by their actuaries more than they previously have done.
- "Morris" recommends that Trustees should market-test their actuarial advisers at least once every six years.
- The market place has probably never been more competitive




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### Themes for today's discussion

- What is the role of the actuary?
- What Trustees like
- What annoys Trustees
- Assessing an actuary's performance
- Selecting an actuary
- In conclusion...keeping clients

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So, how do you see the role?

### According to the Institute...

- "Specially appointed Scheme Actuaries periodically assess the levels of funding and report to the trustees of pension schemes on their adequacy and whether they meet the legal minimum.
- They advise trustees and employers on the level of contribution that employers and members need to make in future to ensure their funding levels continue to comply with legal requirements.
- Pensions actuaries play a major role in the smooth running of pension schemes. They provide regular advice to trustees and employers on a range of issues such as investment and annuities."

(Source – IoA website)

### What Trustees (should) expect from their actuary

- Some combination of ...
  - Compliance functions
  - Reactive advice\*
  - Proactive advice\*
- If they don't know what to expect, tell them!

\*But on what?

What sort of advice may Trustees expect from their actuary?

- Funding
- Pensions law
- Rule interpretation
- Investment (strategy and execution)
- Administration
- Member communications
- Covenant monitoring
- Exercising discretions

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What Trustees like...

- |                                   |   |
|-----------------------------------|---|
| ▪ Real commitment                 | ▪ Continuity of personnel               |
| ▪ Technical expertise             | ▪ Quality of advice                     |
| ▪ Broad-based experience          | ▪ Accuracy of work                      |
| ▪ Clear communications            | ▪ In-depth scheme knowledge             |
| ▪ Positive recommendations        | ▪ Sensitivity to Company / Union issues |
| ▪ Reliability of service          | ▪ Pragmatic approach                    |
| ▪ Easy availability               | ▪ Innovative approach                   |
| ▪ Timely advice                   | ▪ Good cost management                  |
| ▪ Good milestone reporting        | ▪ Education and coaching                |
| ▪ Cooperation with other advisers | ▪ Friendliness                          |

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But what is most important?

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## What annoys Trustees...

- Errors and omissions
- Equivocation
- Lack of preparation for meetings
- Excessive use of jargon
- Lack of guidance
- Condescension
- "Ivory Tower" approach
- Poor planning / project management
- Excessive cross-selling
- Unwillingness to provide general advice
- Technical weakness
- Arrogance
- Poor memory of oral advice given previously
- Inefficiency
- Lack of knowledge of what other schemes are doing
- "All brains, no intelligence"
- Cost overruns
- Lack of empathy
- Lack of backup resources
- Inflexibility

## But what is worst?

## Performance assessment – two key questions

- By what criteria would you wish the Trustees to judge your performance?
- What evidence should the Trustees look for?

## An example of an assessment exercise...

In the last year	In general
<ul style="list-style-type: none"> <li>How well did she brief us about the changes in the funding regime?</li> <li>How helpful was she in relation to assessing the company's covenant?</li> <li>How well did she involve us in the valuation process?</li> <li>How well did she explain the rationale behind her assumptions?</li> <li>To what extent did she advise and guide us, as opposed to just presenting the options?</li> <li>Have her fees been in line with the budget?</li> </ul>	<ul style="list-style-type: none"> <li>To what extent do we have confidence in her technical ability?</li> <li>How clearly does she orally explain difficult concepts?</li> <li>Are her papers concise and easy to read?</li> <li>Is she prepared to offer advice and comment on non-actuarial matters?</li> <li>Does she always deliver what she promises?</li> <li>Are we satisfied with her support and backup within [XYZ]?</li> <li>Has she done anything or added any value over and above what we pay her for?</li> </ul>

## An example of a selection scoresheet...

Criterion	Weight	Source of evidence
Professional reputation	5	Views of auditor / solicitor / investment managers
Calibre of proposed team	5	Qualifications, experience, other clients, interview
Clientbase satisfaction	4	References, internal surveys, external surveys
Costs	3	Estimates, charging basis, charge-out rates
Strength & stability of company	3	Ownership structure, company accounts
Value-added approach	3	Case histories
Technical support resources	2	Internal organogram, % of income allocated
Quality standards	1	Formal documented QA methodology

## In conclusion - how to keep Trustees happy

- Make sure you know what we expect
- Make sure you don't make mistakes
- Be keen and enthusiastic
- Help us with the big picture
- Get off the fence – advise us
- Tell us what we need to know, but no more!
- Explain things clearly
- Keep your promises
- Work cost-efficiently

Then we'll reappoint you!