NAPF Securing the future of pensions

NAPF Response
The Actuarial Profession Consultation Paper
Conflicts of Interest: New Policy Proposals

1 About the NAPF

The National Association of Pension Funds (NAPF) is the leading voice of workplace pensions in the UK. We speak for 1,200 pension schemes with some 15 million members and assets of around £800 billion. NAPF members also include over 400 businesses providing essential services, including actuarial services, to the pensions sector.

2 NAPF response

2.1 We are grateful for the opportunity to respond to the Actuarial Profession's Consultation Paper 'Conflicts of interest: new policy proposals', to which we are responding from the viewpoint of our pension scheme members. We confine our response to APS P1, paragraph 5.1 and to the proposed guide for pension scheme trustees in Appendix 6. A small group of our scheme members met Sir Philip Mawer and other members of the Actuarial Profession's Conflicts of Interest Working Party on 14 February to discuss the Working Party's earlier Discussion Paper on conflicts of interest.

2.2 We believe that actuarial conflicts of interest are generally well identified and well managed. The proposed paragraph 5.1 of APS P1[1] provides that the Scheme Actuary should not advise the employer about the funding of the scheme or anything with a direct bearing on the benefits payable. We agree that the provision represents a targeted and proportionate response to the conflicts of interest inherent in dual mandates, where the same actuary advises both the scheme and the employer (the scheme sponsor). We also agree that a ban on the Scheme Actuary doing any work for the employer would not be justified and would impede sensible arrangements for scheme administration, thus adding to complication and cost.

2.3 We are concerned about the usefulness of the proposed guide for pension scheme trustees in Appendix 6. As we have already noted, we believe that actuarial conflicts of interest are generally well identified and well managed. Trustees need to understand the compromises, whether intended or unintended, that conflicts of interest can give rise to. The examples in the guide give little flavour of the potential damage from the conflicts outlined or even of the reasons for the decisions taken. We are not sure that the guidance is correct: in Example 4 one could argue that Eleanor has a duty of confidence not to reveal the employer's intentions, rather than an obligation to do so. We would be happy to discuss how we could help raise trustees' awareness of the issues around actuarial conflicts of interest – something we touched on in our meeting in February.

[1] 'APS P1: Duties and Responsibilities of Members Undertaking Work in Relation to Pension Schemes'