



## Morris Review of the Actuarial Profession:

### NAPF's Response to the Review's Interim Assessment

#### Introduction

1. The National Association of Pension Funds represents workplace pension schemes in the UK. NAPF Members provide pension benefits to over 12m people and their families, are beneficial owners of over £700bn of assets, and account for nearly one fifth of all investment in the UK stock market.
2. The NAPF welcomes the publication of the Morris Review's Interim Assessment of the Actuarial Profession. This paper sets out our response. We have not responded to all the questions asked and have instead concentrated on those key areas which we believe could materially affect our members.

#### **Chapter 2: The Market for Actuarial Services : Pensions – Options for Increasing Competition – 2.120**

3. We agree that there is substantial choice of actuarial services available in the market, ranging from large International Benefit Consultants to small one-man consultancies. The hire and hold strategy that trustees used to apply to the actuarial firm which supplied the Scheme Actuary is now changing and the Myner's Report recommendation that trustees tender separately for actuarial and investment advice, (and subsequently recommending separate tenders for strategic investment and investment manager selection advice,) should be allowed time to permeate through trustee bodies before any further requirements are imposed.
  - : Pensions – Greater Scrutiny of Performance – 2.132**
  - : Pensions – Improving User Understanding – 2.134**
  - : Pensions – Improving Clarity of Advice – 2.135**
4. Much is happening with trustee assessment, not just of their advisers but also of themselves. We believe that this in itself will result in greater understanding

by trustees and will enable them more easily to challenge any actuarial advice offered. The Actuarial profession is only one of the key sources of advice to trustees and we see no reason why best practice should not be encouraged to review all advisers, including actuarial advisers, on a regular basis.

5. The NAPF is currently working on best practice guidance for pension scheme trustees on how to evaluate the performance of their advisers, including Scheme Actuaries, and how to evaluate their own performance as a Trustee Board. This will be published later this year.

## **Chapter 2: The Market for Actuarial Services : Pensions –**

**- 5.96**

6. We believe that there is merit in the trustees and plan sponsor using the same provider for the calculations supporting the formal advice given to each of them. We believe that the cost effectiveness of using common data, systems and routines, outweighs any perceived benefit in duplicating these generic calculations.
7. Other professions, for instance the legal profession, are able to advise both the plan sponsor and trustees and this appears to work cost effectively and well. As part of their own governance good practice we believe that trustees should be encouraged to consider conflicts of interest regularly. They should include their relationship with the Scheme Actuary specifically in all such reviews. If any particular conflict should arise, it should be clear that an actuary who is the Scheme Actuary should have regard to the interests of the trustees above all others and it should be for the plan sponsor to look to another actuary for corporate advice.
8. The NAPF is carrying out further work to promote good standards of pension scheme governance, in the light of ongoing work on the Myners Review.