

COUP - Committee of Unilever Pensioners  
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Sir Derek Morris,  
Morris Review of The Actuarial Profession,  
Room G/37,  
1, Horse Guards Road,  
London, SW1A 2HQ

31st January 2005.

Dear Sir Derek Morris,

Morris Review of the Actuarial Profession;  
Interim Assessment.

Thank you for your letter of 17th December together with a copy of your Interim Assessment of the issues involved.

We agree with the general tenor of your overview of the difficulties faced by the actuary making a forecast of future likely positions and agree with your comments about the obvious factors which were overlooked in the recent past, it would seem appropriate to highlight also the profession's failure to react with sufficient speed to the change in market sentiment following the burst of the high-tech companies stock bubble which itself may well have been caused by a lemming like propensity to follow fashion in types or sectors of investment. The history of share price fluctuations should have caused the profession to be more cautious about likely future returns. Your observations on lack of transparency in explaining the limitations on the actuarial conclusions are also well founded but we feel one further aspect is worthy of specific highlighting namely that they allowed the belief that "scheme surpluses" were real and could be distributed without significant risk.

It is important that conflicts of interest (real or perceived) should be eliminated and to that end we were disappointed that consultation on matters referred to in paragraphs 2.64 - 2.66 did not include pension recipients or organisations representing them.

Options for increasing competition.

Of the two options offered we would support Option 2. with a clear prohibition on any actuary providing advice to two parties with potentially conflicting interests. A useful parallel here is that operated by The Law Society in respect of solicitors being prohibited from acting for both parties to a property conveyance. Actuaries, and firms of actuaries, should also be prohibited from undertaking other services to funds e.g., pension administration, as this could impugn their impartiality and make it more difficult for the Scheme Actuary to be changed.

Greater scrutiny of performance.

Our support is for Option 4, which could be achieved in the case of pension funds by having a separate actuary to advise each of the sponsor and the trustees. We also support Option 2 in the form of specified periods of compulsory review, there could even be a requirement that the appointment of a Scheme Actuary, individual or firm,

must be for a finite term, possibly five years. The question of potential costs has been raised. We respectfully suggest those additional costs would be small compared to the serious shortfalls in funding presently causing problems for so many funds.

Improving user understanding.

We support any method of achieving greater understanding but we remain unconvinced that the use of professional trustees or those with wider experience would assist in solving the present problems. Any "specialist expertise group" is always likely to develop a unified way of thinking; this particular factor may well be at the root of the present problem with fund deficits.

Options for improving clarity of advice.

Any initiative to improve the communication skills of actuaries is welcome. Of the options offered those numbered 2 and 3 seem to be the ones it is imperative to adopt albeit not to the exclusion of any other viable possibility.

Actuarial Roles - Pensions.

The suggestion made in paragraph 4.23. is fully supported subject to there being peer review of the actuarial role by an independent actuary whose direct responsibility is to act on behalf of the scheme members.

Options for reporting and whistle blowing.

Our view is that Option three is the only one likely to achieve its purpose and we support that option.

Options for pensions, page 89.

We see this as a key issue, the present arrangement has clearly failed as is evidenced by the present state of most pension funds. The cause of that situation is claimed to be substantially, or entirely, the failure to allow for increasing longevity, an aspect which had been well documented for many years before the present crisis. In the interests of all parties it is felt Option 4 is the only practical way forward: it seems the only way that any real, or perceived, question of undue influence or conflict of interest can be avoided.

Options for scrutiny of actuaries in pensions.

Options numbered 3 and 4 in paragraph 8.63. are favoured provided the peer review includes all aspects of the Scheme Actuary's assumptions. If our views on peer review are accepted it will be necessary to provide some means of resolving any disagreements which may arise between the two actuaries. In the event that you require any further explanation of the views expressed above, we will be pleased to try and assist.

Yours sincerely,  
G. Ball.