The Actuarial Profession

Institute and Faculty of Actuaries

Conflicts of Interest Consultation Meeting

Monday 24 October 2011

Staple Inn, London

The Chairman (Sir Philip Mawer): Good evening everybody. I am going to begin. It is five o'clock on my watch as opposed to the clock in the hall that I am looking at at the moment. I must begin by introducing myself. I am Philip Mawer. I chair the Professional Regulation Executive Committee of the Profession. I am not an actuary. I am a layman. The committee consists of a majority of members of the Profession as well as three lay – that is, independent – members. Alongside me this evening I am accompanied by members of the Conflicts of Interest Working Party, which it has also been my privilege to chair. I am going to ask them briefly to introduce themselves. We are missing one at the moment in the shape of Graham Everness. He has been delayed by transport difficulties on his way to the meeting and is going therefore to arrive late. He presents his apologies for that. He has also apologised in advance for the state of his dress. I am fascinated to see what it will be! Clearly, he thinks he should have dressed up for you and we will see how dressed down he is when he appears.

Perhaps I could invite my colleagues to introduce themselves, starting with Charles.

Mr Charles Cowling: I am Charles Cowling. I am the managing director of JLT Pension Capital Strategies. I am an actuary therefore with JLT. I am a former chairman of the Pensions Executive Committee, a member of Council and represent the pension side of the Profession.

Mr Douglas Morrison: I am Douglas Morrison. I am a With-Profits actuary at Standard Life so I have obviously been thinking in particular about conflicts of interest from a life practice angle.

Mr Ben Kemp: Good evening. I am Ben Kemp. I am not an actuary; I am a solicitor and acting General Counsel at the Actuarial Profession.

The Chairman: This is the first of two consultation meetings about the consultation paper that we published earlier this month. In addition, there is a survey running on the Profession's website and we have had a significant number of responses already to that. Of course, we are looking for more before the consultation period ends on 10 December.

The format for this evening is on the board that you can see. Do not get too alarmed at the number of minutes allocated to each topic. The whole purpose of this evening is to take your comments as we go along. Therefore, where the conversation goes will be largely guided by you in terms of the issues that you think are particularly important to address. I am going to give a very brief introduction to the Working Party's proposals. Then we will go through each of the elements in the package in order, so that you can say anything about them that you want. I expect that we will spend the bulk of our time talking about the proposed changes to APS P1 which affects pensions practitioners in particular. But there are other important elements in the package, and I am keen to hear from you on all those, too, if you want to express views about them.

Please do feel able to make points as we go along and/or ask questions as we go along for elucidation. I shall not hesitate to call on other members of the panel to answer any queries you may raise as we do so.

I shall structure the discussion, so far as I can, around the questions which are in the survey, a printed copy of which was available when you came in. It forms Appendix 8 to the published proposals.

First of all, a little introduction to the proposals themselves. The issue of conflicts of interest is one which has faced the Profession for a long time and it has proved a difficult one for the Profession, essentially because we are trying to balance a number of things, different aspects of the public interest. Protecting the public from conflicted advice and, on the other hand, trying to ensure that the cost and expense of doing so is not disproportionate, because the public have an interest in getting the right advice but also getting it in the most cost efficient way possible.

So it has proved a difficult issue for some time. It was addressed in the Morris Report of 2005. Morris made a number of recommendations which the Working Party has taken into account as it has developed its proposals. We believe that our proposals meet those recommendations. The Professional Oversight Board (POB) which I see is ably represented here by Paul Kennedy tonight, who is also the acting director of the BAS - not chairman but full-time staff director - has also commented on this issue and its importance in a sequence of reports that it has produced on the conduct and professional regulation of the Actuarial Profession.

As a start to the process that we are now in the midst of, the Working Party produced last year a discussion paper which set out the background and a number of related issues. In addition to receiving well over 300 responses from within the Profession to that, as well as responses from users of actuarial services, we have also been through a number of bilateral meetings with, for example, the FSA, the Pensions Regulator, the National Association of Pension Funds, and so on, as we have developed our proposals.

One of the key things that came out of the discussion paper process was a conclusion that actuaries encounter conflicts frequently, regularly, in their work, but the great majority of those conflicts are satisfactorily handled, in the opinion not only of actuaries themselves but also of their clients and customers.

Nevertheless, it is clear from the evidence that there is some continuing concern in certain areas, particularly in the area of pensions, and that is why the package of measures we are bringing forward focuses particularly on pensions aspects.

In that area we were faced with really three options. One was to do nothing. That really was not an option in view of what Morris and successive POB reports have said.

The second option in respect of pensions was to ban dual appointments altogether. That is, to prevent actuaries from advising both an employer and the trustees of a pension scheme.

The third option was the one which we have taken, which is to try to follow a proportionate and targeted approach to the issue, bearing in mind the perceived risks to the public interest.

What we have produced is a package, and it needs to be seen as a package with a number of different elements in it. First, there is of course the Actuaries' Code which, in section 3, contains a number of highly relevant principles relating to conflicts and their handling. That sets the overarching framework, if you like, the umbrella under which the rest of the proposals that we have produced cluster.

Our proposals would see those Code provisions supplemented by new regulatory provisions for pensions actuaries in APS P1, and we have already introduced somewhat strengthened provisions for life actuaries in APS L1, which came into force

at the beginning of this last month and which was the subject of prior and separate consultation.

In addition, when we sent the discussion paper round there was a very strong demand for more guidance for actuaries on identifying, assessing and handling conflicts. Therefore we have produced two draft guides: one for actuaries themselves and one for pension scheme trustees, the latter in discussion with tPR. The point of the latter is really to try to alert trustees to the kind of concerns and issues that they and their actuary will face, the proper expectations that they can have of their actuary, and it is hoped that this will help trustees themselves see their way through the issues.

In addition, there was a strong demand for additional professional support, that is, CPD and training and guidance of a very direct and practical nature, which we intend to cover and develop as we continue the work of the Working Party, and, in particular, develop in the light of the outcome of the consultation process. So we will be looking to produce more CPD provision, in short, in addressing these issues.

That, in brief, is the context in which the Working Party has approached its task and those are the key factors in terms of how we have developed our work. I am happy to take any questions at this point of a general character. Thereafter, I immediately propose to get into the detail and, in particular, to start by focusing on APS P1 - that is, the pensions provision - which is clearly of most interest, I guess, to people in the room. Shall we move to that? I see some nods so let us do that.

APS P1: paragraph 5.1

The Chairman: I do not want to go through, and will not go through, APS P1 in detail. One of the key provisions is now up on the screen for you. It is the new proposed 5.1 of APS P1, which essentially would prevent a scheme actuary from advising both an

employer and the trustees of a scheme on the funding of the scheme or on factors which directly bear on the benefits payable under the scheme.

The purpose of that provision is essentially to try to ensure that not only the reality but the perception of the possibility of a conflict is avoided in relation to the two key areas, if you like, of actuaries giving professional advice to both trustees and employers. However, we do not want to rule out scheme actuaries doing work for an employer which would focus on issues other than advice of that character. For example, where a firm is simply crunching the numbers for an employer. So we want to make a distinction of that sort. We do not think that an outright ban on dual appointments is justified by the evidence that we have received.

That is the balance that the Working Party is proposing. Now, over to you. Let us hear your reactions and comments please.

Mr Richard Abrahamson (Towers Watson): I am working at Towers Watson on the pensions side. Chairman, I should like to dwell on some of the practical issues which have occurred to me. It seems that for many pension schemes, especially larger pension schemes, we have already moved a long way and separate advice is in place. The new APS P1 will have very little, if any, effect except perhaps for better or more documentation. So for many schemes no change. But equally for many pension schemes, especially the smaller schemes, the proposals will require material changes to practice as regards scheme sponsors.

As a general point, I think it is worth noting we have the Actuaries' Code, as you say, which does provide quite specific protection on conflicts. We have a guide issued by the Pensions Regulator, guiding trustees on managing conflicts. In light of that, we should be sure as a profession that the proposals do serve an important public interest and are proportionate in their effect. My theme will be that they could be proportionate so long as we get the drafting right.

So what sort of drafting problems? What sort of practical problems? The proposals are written as if the potential for conflict lies basically with the actuary. In practice, of course, there is conflict inherent in the trustee structure for many pension schemes. When the trustees include senior company executives, maybe the finance director as chair of trustees still in some cases, when that happens then when we are advising the trustees, who are we advising? What in practice does it mean to not advise the employer?

We often need to explain about a range of possible results and say where our suggested approach for that scheme would lie in a range, which is important information for the trustees. In doing that, we are also indirectly advising the employer, which I would say is perfectly acceptable so long as it is recognised as such in the accompanying documents.

It leads to the important question in APS P1 of what constitutes "advice"? I am particularly thinking of the distinction between "advice" and "information".

I have tPR's guide on conflicts in which it says that there is also a difference between advice and information services. However, this distinction is capable of becoming blurred, where the information is implicitly based on an expression of opinion, for example, in relation to the state of funding of a scheme.

Indeed, I think that is right. It is capable of becoming blurred. The question I have is will the scheme actuary under the proposals be allowed, and clearly allowed, to provide information to the employer? For example, what is the valuation result on some stated basis other than the one that the actuary has presented to the trustees?

It seems to me that that much at least should be allowed, so long as the trustees agree a process with the actuary and employer on lines of communication and limits on what that advice can be.

Going beyond that, what if the employer wants to ask the actuary questions? It is sort of information but they do involve judgement. Where does your proposed funding basis lie in the range of funding bases in common use for schemes like this? Is that allowed? Is that dependent on whether the employer who is asking you is also a trustee or not a trustee?

These are questions which I think will be important in practice for the schemes which do not already have an entire separation of responsibility. The way through seems to me to be to use the examples which are potentially very helpfully set out in the guide for actuaries and the guide for trustees.

Chairman, I know I am slipping into that but it seems to me inevitable that one at least touches on that aspect as well, because the current examples in the trustee guidance particularly would seem to be pushing trustees in a certain direction of obtaining separate advice generally. But I think it is really important that we get some counterbalancing examples of where we can provide information to the employer, which would help the employer for those small employers where they cannot reasonably go out and hire another actuary.

My final point is really a question. Could it be said that the essential test is that the actuary advising the trustees is clear that they have only got one client, that is, the trustees, which to me would be important to understand, but through that client, the trustees, appropriate information and appropriate assistance can be provided to the employer? If that is true, as I would hope it is, then it would be useful to see that spelt out and in the body of APS P1.

The Chairman: Thanks very much. I am going to take a number of points and then we will respond as appropriate.

Mr Brian Nimmo (Hymans Robertson): I will probably echo some of the comments Richard has been making. I am also in the pensions field, just for the record.

When I first started thinking about this, I wanted to think about the current situation. We are where we are. I think of my role as a scheme actuary. My role is to work with the trustees to achieve the best possible outcome for the members of the schemes that I advise. I think we all agree that that is our role, among others.

Over the years I have learnt that there are some methods that I can bring to the table that work well in getting that outcome, and others less so. The one I have found the most success with is where we do not fight with the employer. We try to find the common ground as trustee advisers to try to build the picture between the trustees and the employer such that they are able to see the same things and see the same risks, to take the employer on the same journey as I am taking the trustees.

I have found over the years that is by far the better way of getting results.

It is important to say at this point that is not the same as advising the employer. That is not the same as acting as a facilitator between the two. It is purely advising the trustees trying to get the best result.

The reality of the situation, and I have talked to pension schemes out there and trustee bodies, the reality is that is not what happens in practice everywhere. The reality is that we see many trustee bodies fighting their sponsors and unfortunately for us as a profession, they are seeing actuaries and the Actuarial Profession as culpable in that process. We are not looking clever at the moment.

My real fear for this draft of APS P1 is that this is going to be used by actuaries to drive that wedge deeper and to make us look worse in the eyes of those we seek to serve.

I will come to the word "advise" first of all and then start to look at the detail. If you look up the dictionary definition of "advise", there are a number of meanings. Firstly, it is "recommending a course of action". Clearly, that is something a scheme actuary cannot do when talking to an employer. That is a clear conflict. But it also means "to inform about a fact or situation".

I think it is incredibly important as a trustee adviser that when taking that employer on the same journey as you are taking your client to get that best result for the members, you are informing them, you are showing them the situation and you are trying to get them to see it through fresh eyes to understand exactly why the trustees are pushing for what they are pushing for.

I am really fearful, as I said earlier, that we are not going to get there.

The other issue around 5.1 is, that as drafted, it is going to pick up a lot of areas where there is clearly no conflict. Our clients know there is clearly no conflict. Many pension schemes out there take the view - and they take this back for legal advice and they are very comfortable with it - that the provision of future service benefits, the design of those benefits, is the employer's imperative. The only thing that trustees are worried about is the company goes through the right process in changing benefits. The design is not of interest to them other than when it gets put in place they have to administer it and pay those benefits.

I think most trustee bodies will find it baffling that we are going to turn round and say a scheme actuary cannot help an employer in those circumstances, when those trustees are saying "there clearly is no conflict in my mind." We have taken away, or are planning to take away, their ability to make sensible decisions on their own behalf.

The example that is incredibly close to home for work that many of us have been doing over the last few months in this area is advising some of those high earners in our pension schemes, where the need has been for advice to be drafted quickly, implemented quickly, to try and deliver the best solution for the members to get tax effective benefits. 5.1 would not allow the scheme actuary to get involved in that process, and it is clear everyone's interests are aligned here. The member's are, the trustees' are, the company's are, - but we would not be able to help. The company would have to go out, find separate advice, slow the process down and generally lead to extra expense.

When I was looking at this I went back to Morris. I found it very helpful that you have those three recommendations. The piece that is missing here - other than "advice" which is clearly the wrong word to be in here - is that there is no concept of materiality. There is no concept of proportionality.

As we have gone through the TASs there has been a lot of angst, and we have tried to get our heads round that. One of the things I think they have got quite right is that they have reintroduced us as a profession to those two concepts, and we have forgotten this. We have gone in with a sledgehammer to try and fix something that, quite frankly, does not need fixing.

I am a firm believer – and, Philip, you were instrumental in helping drive this through – that the Actuaries' Code is a brilliant piece of work. I do not think that it needs augmenting. I think everything is there that we need. By trying to put something into place that we do not need, we are going to get it very, very badly wrong.

Mr Matthew Pearlman (Lane Clark & Peacock): I do agree generally with Richard and Brian's comments. I am not going to repeat them all, particularly Brian's comments about materiality and proportionality. Although I am probably on the side that it is

generally because of the external pressure. I think with scheme actuary appointments we have lost the battle so far as I can see. But I am not going to dwell more on that.

I wanted to talk about a few practical points in terms of 5.1. I have been asking around colleagues in terms of what scheme rules state as the duties of the scheme actuary for various schemes. There is one particular question in the consultation as to what to do with this.

There are a number of schemes where there are specific requirements on the scheme actuary to provide advice to the employer, either in computation factors or in one case when making rule changes, and so on. Also, there are a huge number of schemes. This seems to be standard drafting, where the scheme actuary is required to provide the valuation reports addressed to the employer and the trustees.

If that comes under the category of advice, as I presume it does, then I think we have a big task on our hands to try to get a list of exemptions there. I think that needs to be thought about very carefully. Whether one can just say if the rules say this you can do it, no doubt that would be the obvious answer. I presume there are reasons why we do not do that.

But to go through a committee that scrutinises every single set of rules and what each actuary can do, I think is going to be a huge task for anyone and I do not think it is going to be very workable.

Are we specifically talking about 5.1 at the moment?

The Chairman: I think so because it is critical. I should like to take any other comments and then we will come to 5.2, and so on, in just a moment.

Mr Graham Pearce (Mercer): These are my own views. Most of my points have already been covered by the previous speakers in the sense that probably we are struggling in this definition to try and distinguish between tactical advice and informatory advice.

I can think of other examples, for instance, where the trustees have already agreed that a certain set of assumptions will be used, for example, to augment people's benefits on early retirement, perhaps as part of a redundancy exercise. A company might just want to know how much it would cost to remove the early retirement factor for Mr Smith, for example.

Another issue that I can see here is what advice does have a direct bearing on the benefits payable? Sometimes that would not be known until years afterwards, whether a particular piece of advice did have a direct bearing on the benefits payable even if it was unforeseen at the time.

Just to reiterate the point there, I work in Germany. I can tell you that German companies despair at the UK environment. I think there is a feeling that companies want to exit the UK pensions environment as far as they can because they just do not see any sort of way of working together with the trustees because of the high cost of advice required by both sides, and so on. I think it is damaging to the reputation of UK pensions in the wider environment. I think the UK pensions environment used to be seen as a good example of how things could work.

The other word I worry about, perhaps because I come from a foreign environment, is the word "funding". If you talk about how a scheme is funded, certainly in Germany that would mean what investment strategy you are following – investing 60% in equities, 40% in bonds. We might understand that word differently but maybe the layman, the public, might also understand “funding” as also being investment strategy as opposed to the pace of contributions going to a pension.

Mr Stephen Rees (Towers Watson): I agree with everything that everybody has said so far, so I will try not to repeat that. But I was a bit surprised that in 112 pages of material that you have just published the most critical word seemed to be "advice" or "advise", and there was not an attempt to define it anywhere. So much does depend on what that word means. If it means all of the communication that we give that might be received by the employer, then that is pretty terrifying. If it means something specifically to a situation where the employer has different interests from the trustees, then that is a completely different issue. I did not read all the 112 pages, but I read most of it. I was still unsure at about what was meant. It is very difficult to respond to this process without really understanding what that word means.

I did find overall that it was pretty depressing because the general thrust of the whole material was the presumption that the trustees and the employer were having an argument. And if they are having an argument and are negotiating over something, then of course they do need separate input.

In my experience, in the majority of situations they are not having an argument. They have different perspectives and different duties but they are not actually having an argument, they just want to understand what is going on and they need some actuarial input to help them make their decisions. They are of course the decision-makers not us.

That takes us on to another important point which you touched on earlier. The Regulator has of course already issued guidance on managing conflicts which is fairly thoughtful and to some extent common sense once everybody has got their head around the situation. When you said that what we are doing here is to do as much with the reality as with the perception of the situation, I think that is quite an important point.

It is reasonably common for two thirds of a trustee body to be made up by senior company management. In that context putting in blockages about the way that actuaries have to conduct themselves when in fact there is a huge issue for the decision-makers themselves just makes the perception of it to the outside world look really rather foolish. It does not make any sense to have more prescriptive rules regarding advisers than exist regarding decision-makers.

Mr Gordon Sharp (KPMG): I think I put an opposite point of view to something which has just been made. This is I think in common terms of "advice" as opposed to "information" provision. Although you may be dealing with a fairly happy, constructive dialogue between your trustee client and the employer sitting alongside him, the potential for that to become less happy at some unknown but unexpected point in the future is ever more real. I think for that reason we do need to carry on down this line in terms of advice. Does that mean information provision on funding?

I also just back up the more detailed comment on advice on actuarial factors. Certainly in our experience quite a number of scheme rules, at the very least, require the scheme actuary to give advice jointly to employers and trustees on factors. There is a tension in what is written at the moment with probably quite a number of scheme rules.

Mr Michael Owen (M. L. Owen & Co.): Although I speak primarily from the point of view of smaller firms, it is actually the smaller companies with their smaller pension schemes that I am more interested in, and very often the adviser, the consultant, the actuary, the hand holder, is talking to the trustees and the employer at a trustees' meeting. As somebody has already pointed out this afternoon, it is probably the trustees and the employer who are more conflicted and who do not understand their conflicts than the actuary.

Just to cut to the chase, and in response to some of the points that have been made already this afternoon, would it be acceptable to have in the very first line of 5.1 "The scheme actuary to a relevant scheme must not, without the consent of the trustees, advise the employer"?

In other words, if the trustees are happy that the scheme actuary should give advice to the employer - at least can we just say until such time as the actuary feels he is totally conflicted so he can no longer do so - if the trustees are happy that he should give advice to the employer, and this advice may be pure advice, it may be information, it may be the result of answers to arithmetical questions, if the trustees are happy, or indeed if all advice to the employer has to be passed through the trustees, then it would seem to me to deal with many of the issues that have already been raised.

The Chairman: I know that it is the practice in a number of firms already to do the latter. We will have one more contribution and then we will wind up this bit on 5.1. I will ask Graham and Charles if they want to make a brief comment on any of the points that have been raised, although we want primarily to hear from you tonight.

Mr Simon Carne: When I was much younger, a family friend used to get quite frustrated when her children were overexcited. She could see that it was all going to lead to trouble and the expression she used to the children was, "You are not going to be happy until you are crying".

Looking at this, having followed this debate for some years, having sat on a committee that was a predecessor of the current group in front of me - and I have no role in pensions as an adviser, I have been following this for some years - I have just been observing that we as a professional group get more and more excited about this and it seems to me that we are not going to be happy until we have got it wrong. Paragraph 5.1 is a very good stab at getting it wrong.

Let me try to explain why I think that. If the trustees or the employer or the actuary do not want the actuary advising both, they have it within their gift to prevent it. The trustees can choose a different actuary. The employers can choose a different actuary or the actuary can choose to resign from one of the appointments.

So 5.1 only bites when the trustees and the employer and the actuary want this working relationship to go ahead. 5.1 is basically saying to trustees and employers, i.e. members of the public, "We, the Profession, are prohibiting you from choosing the actuary that you want."

I think that we have to ask ourselves what right do we have to say that?

Derek Morris looked at this five years ago and concluded that it would be the wrong thing to do. It is my understanding that the Department for Work and Pensions looked at whether they should legislate to prevent trustees and employers from doing it, because it would seem that it was within their gift to do so, and they decided that it was the wrong thing to do. tPR has decided that it is the wrong thing for tPR to do, and they have a power of regulation over pension schemes.

If all of those groups think that this is the wrong thing to do, who are we to say, in effect, to members of the public, "You cannot do it."? We are doing it via the mechanism of actuaries, but what we are doing is banning members of the public from choosing the actuary that they want.

If we must be seen to be doing something, then I think Mike Owen is on the right lines. We can change 5.1 so instead of saying "you cannot advise", you can say "you should not advise unless". And we can put some safeguards in. I suspect they are already covered by the Actuaries' Code. We can make it specific in relation to pensions.

For example, making it clear that both parties know that you are acting for the other; and we can follow the Derek Morris proposal that in effect says if a conflict later arises, trustees get first choice as to whether they continue or not.

The Chairman: It is in 5.2.

Mr Simon Carne: I am sorry. Yes, of course it is. So there are ways of moderating this, saying, "you cannot, unless", but saying that you must not for the reasons I have already given seems to me is going to get us into trouble.

And what is the trouble? Our clients are going to object. That is the first thing. The second thing is that recognising the scope for this, the document suggests that there might be a waiver approach where I guess some sort of panel, appointed by the Profession, will decide whether the trustees and the employer can appoint the actuary that they want. Once you get into that territory, you are getting yourself into a terrible mess. There may be reasons of confidentiality that prevent the parties disclosing to the panel that which they need to disclose. If the panel does hear evidence from them and decides "no, they are not going to allow the appointment", it seems to me once you have opened the door to the possibility that a panel might decide, you have opened the door to the possibility that the clients might sue the panel, which means suing the Profession.

There are a lot of things that we do in the public interest, but it seems to me if we are going to appoint a panel that decides which actuaries can be appointed by which members of the public, I think we are opening doors to litigation quite unnecessarily. So I think we should calm down before we start crying.

The Chairman: Does anybody have any other absolutely new points to make? Brian, you have had a go already. It will have to be a very small one.

Mr Brian Nimmo (Hymans Robertson): I just want to put some of this into perspective. I chair our conflicts committee in the firm I work in so I see conflict issues across my desk on a regular basis. It is incredibly rare that a true conflict arises. There is a conflict in the funding debate, absolutely. We all know that. Most pension schemes out there deal with it. Those are dealt with; they just don't happen. We are talking about new conflicts that arise.

The vast majority of the things that I deal with are actually a potential somewhere around the corner that those two parties' interests might not be aligned. How are we going to deal with it?" 5.2 is a brilliant roadmap to deal with those issues.

The reality is conflicts very rarely happen. The potential for conflict happens a lot. It is managing that that is important. 5.1 is going far too far over the top.

The Chairman: I think you have simply reinforced the thrust of most of the comments that we have had from the floor this evening. Graham and Charles, I do not know if you would like to offer any comment – only if you wish to do so. Charles, do you want to say anything?

Mr Charles Cowling: I think the only comment I would make is a lot of the comments you raised tonight we have debated hard. We have not arrived at where we have arrived at lightly. A lot of these issues we have raised and discussed ad nauseam, but we still want you to keep feeding the comments through. It is important. We have tested this among ourselves. We now have to test it among you, and wider.

I just wanted to make the point that there is quite a spectrum of views among the committee from both ends of this and we have debated many, many of these issues and many more at great length already.

The Chairman: Thank you, Charles. Graham, suitably attired, we see!

Mr Graham Everness: I think we have to accept on the working group that not everybody is reading the word "advice" in the way that we might have thought. I think it is clear that there are some differences in interpretation as to what that says and we are going to have to think about how we deal with that.

Some of the comments in terms of some of the things that people fear will be prevented were not the intention of the Working Party. In a sense, if one could just go back to straight principles, one could almost say that what we were trying to do is to take the Actuaries' Code - which says that you cannot have a conflict of interest unless it can be reconciled, and that includes being seen to be a conflict, a reasonable perception - and actually saying to ourselves, "what are the situations in a pensions environment in which it is very difficult to believe that there will be conflict that could be reconciled?" That includes perceived conflicts. We were not really trying to go very much further than codify what we thought most people would have assumed were irreconcilable or perceived irreconcilable conflicts.

So from a principles point of view it is more of a statement of where we started rather than actually saying there was something inherently wrong that had to be prohibited. We are trying to say, "What do we need? How can we expand upon the Actuaries' Code to make clear the areas in which we think people who are not thinking clearly could be tempted to think that a conflict was reconcilable when it probably was not?"

It is interesting to get the feedback in terms of people having seen the wording perhaps differently from what we thought.

The Chairman: You can see that the Working Party is listening and we will obviously be reflecting very hard on what has been said so far this evening.

APS P1: paragraph 5.2

The Chairman: I think we should move to 5.2, which got a 9 out of 10 I thought from Brian just a few moments ago, and simply ask very briefly if there are any points that people want to make about 5.2.

The points that it makes are, very, very substantially, responses to the concerns that the Morris Report expressed.

Has anybody any concerns about 5.2 or do you think it is useful and states, as it were, what you would expect to be taken into account in handling these matters? I am seeing some nods. Nobody is objecting to 5.2. Good!

We will move on, then, if we may.

APS P1: paragraph 5.3

The Chairman: 5.3 is the one point in the draft APS in which we touch on the possibility of a conflict arising from within a firm, that there is a possibility that a firm for which the scheme actuary works is providing other services to a company, to the employer, for example, who is behind a pension scheme.

Are there any points that anybody wants to make in relation to 5.3 or around the issue of conflicts within a firm?

Our experience, based on the evidence we received, was that these conflicts are well-handled. The feedback we had from the National Association of Pension Funds, for example, was generally very positive about their experience of dealing with firms who were advising on pensions matters. Brian?

Mr Brian Nimmo (Hymans Robertson): This is more of a question rather than a comment. My reading of that seems to imply that if the actuary does not believe that

the work being done for the employer could lead to a conflict then there is no need for them to disclose it.

I must admit that I am more comfortable that there probably should be a level of disclosure. I am just wondering why we have got to the point where we do not think that disclosure is necessary at all. It is not a major point, but it is something that crossed my mind.

The Chairman: You are arguing that there should be straight disclosure? The actuary should not have to form any kind of judgement that a conflict might be inherent in the work or might arise from the work?

Mr Brian Nimmo (Hymans Robertson): To take it from a different perspective, and maybe this answers my question in part, I insist we do this in my firm but it is probably more around making sure the relationship is working properly and you have an honesty in there. Maybe I am answering my question saying that is not the duty of the Profession to impose those kinds of things on actuaries. Personally, I think that it is sensible that these things do get disclosed. My question is: is it the job of the Profession to do it?

The Chairman: Insofar as transparency and disclosure is at the heart of the proper handling of these matters, that is the principle which that provision reflects.

Mr Richard Abrahamson (Towers Watson): It is relevant being from Towers Watson in that we have some clients who are dealt with on a global basis. I want I think mostly to support this and to say that the phraseology about being aware of the advice which might give rise to a conflict is important because frequently I might not be aware of some advice in some corner of the globe which could possibly be relevant.

I might go further and say that because there is all manner of advice which the multidisciplinary firms like ours now provide, it might be helpful to qualify it by saying that this work should be one which the actuary reasonably believes might give rise to a conflict. It is just a slight worry that any conflict of interest which might potentially arise is a very broad statement.

The Chairman: Right. Okay. We will look at that. Do you want to comment, Ben? Ben's background is in the law. He is well able to comment on points of drafting.

Mr Ben Kemp: My instinct is I take the point. I think as a lawyer I might argue that I would read that into it; but if I would read that into it, we should possibly say it and we will take it. Thank you.

Mr Gordon Sharp (KPMG): When I was on the Pensions Board we were looking at this thorny issue then. This subject created a lot of problems. I think that the way it has now been drafted is, subject to putting in the odd "reasonable" here and there, probably as good as you are going to get. You have restricted it to the employer to the scheme. I take it that that is deliberate and that will take away many of the far corner of the globe type questions that some people do pose to themselves.

It is obviously linking to the paragraph in the Actuaries' Code which says that actuaries should be reasonably aware. I think actuaries maybe need some comfort on “reasonableness”, but subject to that I think you have probably landed as close to where you can get on this one.

The Chairman: Okay. Thank you. Any other comments on 5.3? If not, we will move on.

Right, let us move on.

APS P1: paragraph 5.4

The Chairman: 5.4 is a transitional provision. I doubt we need to spend much time on that. It basically gives six months for compliance with whatever the new provisions require. Michael?

Mr Michael Owen: Chairman, my concern is in relation to 6 months from the date that the new APS comes into effect. I suspect that the possibility of a conflict between the trustees and the employer may not even enter into the minds of some of these clients until it actually arises. In other words, it will be an academic issue until three or four years down the road. Somebody is talking about changing the benefits in the scheme and the trustees and the employer will ask the actuary to look at it at the same time.

I am a bit concerned about the timetable, six months from the date of this revised version of the APS coming into effect. It seems to me at that stage it might be just an academic issue which some clients might have difficulty in grappling with at that stage.

I would prefer to see a much shorter period, within three months, say, of the issue being brought to the fore.

The Chairman: Can we think about that? If you want to amplify the point, it is quite a technical point, and I do not want to hold up the meeting, as it were. But if you want to amplify that in an e-mail to Ben, I think that would be helpful. So we will then understand exactly. I confess that I am not entirely clear what the problem would be.

Ms Wendy Hancock (First Actuarial): Can I just clarify this in relation to 5.4? Is the six month transition period to get the documentation sorted out? It effectively means that, say, from April 2012 your working practices would be in line with this. Is that right? That is how I have read it.

The Chairman: Yes.

Ms Wendy Hancock: So if this comes out in, say, January, you provide the final standard, then we have got until April to make any changes to working practices and then a further six months actually to dot the i's and cross the t's, in documentation.

The Chairman: Yes. That is my understanding.

Ms Wendy Hancock: I just wanted to clarify that.

The Chairman: Okay. Does that conclude 5.4? Can we move on to paragraph 6 of the APS?

APS P1: paragraph 6.4.1

The Chairman: Essentially, what this tries to do is to define the scope of the application of these new provisions to actuaries other than the scheme actuary. 6.4.1 is the starting provision there. It applies section 5 to members undertaking significant advice work for the same scheme trustees, but who are not actually called the scheme actuary.

Setting aside the fact that some of you think that 5.1 is going too far anyway, can we have some conversation around the extent to which whatever new provisions and requirements come in should apply to actuaries other than the scheme actuary? That is the purpose of paragraph 6 of the revised APS, to try to define the scope of application of section 5, whatever section 5 eventually entails.

Mr Stephen Rees (Towers Watson): It is a fairly small situation, but we do have to deal with schemes that generally get described as having a Crown guarantee. That means, apart from anything else, they are exempt from a great deal of the legislation that governs most pension schemes, including, I believe, the formal appointment of a

scheme actuary. In my personal experience, people involved in those schemes do still try to operate in much the same way as if they were governed by the legislation.

But the curious effect of having a Crown guarantee is the way that it results in the parties assessing risk in that the trustees are potentially extremely relaxed about contributions, investment – almost anything – because they know that the benefits are going to get paid in full because the government will step in if necessary. It is the employer who suddenly becomes the more risk-averse party because of the fact that the Crown guarantee only cuts in if the employer has gone insolvent and that is not a situation which the employer is particularly keen to plan for.

The nature of the relationship of the parties and the risks that they face become very different. So I am not sure that this should automatically follow into that situation.

Mr Peter Tompkins: Just a brief comment, picking up on that point. We have got here restrictions to members. I wondered to what extent the Working Party thought about the environment we are now in where advice in relation to funding is rather a more fluid matter, where not only are actuaries involved but other people are involved in the periphery, advising on employer strengths, and non-actuaries advising in relation to actuarial funding calculations which have been done by actuarial colleagues in their firms, and so on.

Of course, this is all very well-intentioned in terms of protecting the public by reference to members and what members do with other members. One has to watch out for the situation where if you make it easier for work to be done by non-members in commenting on work done by members, you can create arbitrage in terms of different professions' involvements and scope for cracks appearing in the ability of us satisfactorily to regulate what the client ultimately needs, which is protection from the position where there are conflicts between different people advising who may be members of different professions but are both involved in the same processes.

I am really making a general comment about the fact that there are multidisciplinary aspects here, not just actuary to actuary matters, when you go wider than the computations which are reserved to the actuarial function-holder.

The Chairman: Yes, that is understood.

Mr Matthew Pearlman (Lane Clark & Peacock): 6.4 should be presenting the meat of what you are actually trying to get at in this consultation because here you are actually saying what is the advice? Who should be giving advice, what sort of advice, and so on, to trustees and employers? Whereas in 5.1 effectively, although you say it is not a blanket ban, it is a blanket ban on certain types of advice. So this should be very much setting out the standard of what you think should be done. So it is really just getting to agree with the other comments before when we talk about significant advice and materiality, and so on, it is very hard to interpret that.

Again, picking up Peter's points, we have investment advisers and they will often have the situation where you are trying to get the trustees and the company talking together, talking about the same things, getting the same ideas across. It is very difficult to do that if you cannot advise one side or the other.

Also in terms of drafting, it is not on the page, but the bottom of the paragraph says section 5 should be read accordingly, subject to such changes as may be necessary to give effect to this provision.

This is very hard to interpret. If this is the meat of the consultation, then we should be saying who does it apply to and what can they or can they not do rather than trying to expect everyone to reinterpret rule 5 to fit in with this.

Mr Brian Nimmo (Hymans Robertson): The Actuaries' Code, at the heart of what we are proposing here, has at its heart a presumption, a very accurate one, that an

individual scheme actuary, in particular, cannot give advice with one half of their mind to the trustee and with the other half of their mind to the corporate sponsor and not communicate between the two halves. I think we are all comfortable with that.

In section 6 we seem to forget that as we move down the Y structure which is referred to in the consultation document. My understanding of how this is meant to apply in section 6 is we are allowed to have the scheme actuary advising trustees, that we are allowed to have a corporate adviser advising the sponsor, and as long as they do not talk, they can use a common team, a common system underneath them. Those individuals and that common team will be less experienced, they will be quite junior and, I would argue, at the very least less well-equipped to be able to split their mind in half than the scheme actuary we are so worried about in the first place. More, and I worry about this as a scheme actuary, I have a presumption, and I think most of my clients have a presumption, that what my team knows, I know.

This structure seems to rubber stamp the alternative model which is that those students out there, or less senior actuaries out there, are able to take instruction from a corporate actuary and understand the situation better than the scheme actuary they are also working with. I have really struggled with this concept for a long time. Within my firm we do not do this because I think it is an unsound model.

I am particularly worried, probably more so than anything else in this document, that this rubber stamps members of our profession working with an unresolved conflict. It really does worry me.

I do not know how you can reconcile that, and I do not know how others have been able to reconcile it. But those individuals are conflicted and we are saying it is okay.

Mr Gordon Sharp (KPMG): I just want to raise a point on other members. Certainly in our experience this could well affect quite a number of people giving investment advice, as I think one person has already said.

It probably should worry you to know that most investment actuaries probably have not paid any attention to your consultation as yet, in my experience, so there is an education role there. There is probably also some guidance needed as to when investment advice is significant in relation to funding the scheme and not add any other kind of advice. It is very grey area nowadays.

I would also make the very detailed point on 6.4.2 – maybe I am a bit out of date in saying this – certainly in some overseas schemes, some other schemes, you will find that the employer is the trustee of schemes. What should be done in those situations - employers in the position of being trustee as well as being the employer?

The Chairman: Thank you. Any other points on this? Okay. Charles and Graham, do you want to say anything about the issues that have been raised here? Ben?

Mr Charles Cowling: Only very briefly, if I may, picking up the point which was made about the Y structure and the conflict, as I understood it, which is perceived might remain in team members working.

The Working Party did debate that point. 6.4. deliberately refers to members who provide or who are materially involved in providing. I question whether that is in the right place but that I think was targeted at just that consideration.

The Chairman: Graham, is there anything you want to add?

Mr Graham Everness: No, I do not think so.

The Chairman: We will pick up the points and consider them in the Working Party.

APS P1: paragraph 6.4.2

The Chairman: Anything else on 6.4? 6.4.2? We have strayed into that territory already, actually, in the course of the conversation we have just had. Okay? I do not see anybody waving.

The only other point that I think we need to make at this point is that we intend that APS P1 should be applicable to all members including students because, rather on the Brian Nimmo point, we think that all members should be, as it were, equally subject to it.

Are there any other points in relation to APS P1 that people would like to make? I should like us to move, in the remaining time, to other matters. A last point from you?

Mr Matthew Pearlman (Lane Clark & Peacock): I think the reason that no one has commented on 6.4.2 is really none of us understand what it is talking about.

The Chairman: It is too complicated, is what you are saying?

Mr Matthew Pearlman: I have no idea what it is supposed to be getting at. I assume it is something about state schemes, or something like that.

The Chairman: It is.

Mr Matthew Pearlman: Without a commentary nobody knows what you are talking about.

The Chairman: It is applying the requirements to schemes which are essentially in the state sector, for example, where there is not an employer as such or no trustees as such.

Mr Charles Cowling: Or where there is not a scheme actuary as such.

The Chairman: We have sweated hard over the language. It probably indicates, on the basis of your comment, we have sweated too much.

Okay, anything else on APS P1?

Then we will move on, if we may.

Mr Graham Everness: Specifically, it is to check that there are no comments on the extension to all members. Is that correct? And no one wants to comment on that?

Guides for actuaries and pension scheme trustees

The Chairman: Nobody has commented. Can we move on to the guide for actuaries and the guide for pension scheme trustees?

I am not going to take detailed drafting points on the guides tonight. If you have such points to make, I would be very grateful if you would submit them in writing to the e-mail address which is given in the consultation document.

I mentioned before that the guides are a response to the strong plea for more guidance on identifying and resolving conflicts. We are modelling them on the successful guides that we issued earlier this year in relation to whistleblowing.

The guide for trustees we developed in consultation with tPR. It reflects input from them.

Picking up a point that was made earlier in the meeting, it reflects the fact that we believe that many of the most serious conflicts actually arise within the trustee body themselves in relation to a pension scheme. Therefore it is an attempt on our part to assist tPR, if you like, in the process of assisting trustees to face up to their responsibilities, and also assisting scheme actuaries, we hope, by providing a document which they can share with trustees which gives an indication of the expectations that fall on a scheme actuary.

So we hope that it is a useful product. I am very happy now to take any comments of a general character that you might want to offer.

First, let us take the guide for actuaries. It is extensive. Any red flag points that anybody wants to raise? It is not fine tuning the drafting, but anything that is really fundamental. Is it helpful? Is it not helpful?

Simon Carne: It is hardly a red flag, Chairman, but I do feel it is teaching one's grandmother to suck eggs. I would hope that any actuary worth his salt would follow these principles already.

The Chairman: It probably means they need writing down, then, in my experience.

Mr Peter Tompkins: May I just briefly disagree? It is for the exceptions that this is undoubtedly necessary. Having been involved in casework where I have seen conflicts poorly addressed by actuaries, I can only applaud the idea.

The Chairman: So lukewarm endorsement from one side and a more positive one from the other.

A Speaker: A couple of things that might be worth considering adding, if they are not already here. I have not picked them up on my first read through. Apologies if they are there. I do not think that they are.

Just to put this in context, a few years ago, two or three maybe, there was a conflicts of interest seminar held in this Hall which I was chairing. I had no role in devising the case studies that had been ingeniously put together by people from Mercer, based on real events.

It was intriguing to see how the actuaries attending addressed some of the knottier problems.

Two things shone out for me from that day. One was that there are times when resigning does not solve the problem when there is a conflict. I am not sure whether Ben is nodding with surprise or whether it is because he is already ahead of me.

If there is a duty to disclose something to your client and you cannot because of a conflict, merely resigning from the client who you were under a duty to disclose it to does not alter the fact that for the duration of time prior to the resignation you should have disclosed it. So it does not get you off the hook.

A lot of actuaries are under the impression that resignation solves all, albeit that it does not solve their need to generate fees, but in all other respects it solves all in the conflict scenario. It may be useful to put something in about that.

The second one was this. Because we are actuaries, there was a real tendency to be overly theoretical about some of the problems. There were times – and, again, the scenarios were based, as I understood it, from real events that arose – where a sensible practical analysis, "if I do this, who suffers? How much do they suffer? What will happen?" would have led to the conclusion that a problem that seemed insoluble

was actually best solved by doing something that in theory was wrong but in practice cost somebody five pence ha'penny.

In other words, nobody was ever going to complain about it, although theoretically it was wrong.

I am not here saying that if there is a choice between doing what is right and doing what is wrong, it might be okay to do the wrong thing. I am saying that some of these problems were so knotty, like the duty to disclose something but it is also confidential. On the face of it, it is insoluble; and sometimes when you are faced with problems that appear to be insoluble looking at the consequences leads you to realise that maybe one of them is the lesser of two evils and the evil could be so little that actually, as unattractive as it appears intellectually, it is the right way to go.

I am sorry, I have made that point ad lib and I have not said it as clearly as I wish I had done.

The Chairman: I think I understand what you are saying.

Dr David Hare: I am the Actuarial Function Holder at Standard Life. All I was going to say was when I was reading the guide I did not feel the case studies actually helped. They were too high a level. Maybe it is a point that Simon is making. Once you get into the nitty-gritty then you suddenly say "Oh, I never thought of that".

As a life practitioner it is helpful to hear and understand a little bit more about the issues that pensions colleagues have to face. On the life side it is relatively clear cut who you are doing things for and the different roles and the advice that you are giving, particularly on with profits or unit linked TCF, and things like that.

For people on the life side, if they read the guide just now it might smack a little bit of almost motherhood and apple pie and being too obvious, whereas if actually the case studies went down a level and started to tease out some of the tricky things, then it might actually get a bit more traction with people.

The Chairman: I think that the general drilling down point is more easily addressed, and will be addressed, in the context of the CPD provision. There you have an opportunity actually to engage in dialogue around an issue. Nevertheless, your general point is an important one and we will take it away and look at it in the context of the guide.

Mr Brian Nimmo (Hymans Robertson): The experience I have of how actuaries recognise and deal with conflicts is the major issues around recognising a conflict or when you are in conflict and you potentially find yourself too far in before you realise you are in it. Knowing what to do when you are in is not always the problem. Most of our firms will have quite established procedures.

So I would be looking for guidance that is probably a bit more weighted towards spotting the conflict in the first place rather than how you deal with it. I fully accept Peter's point that you probably do need to put it in somewhere.

But on my read through it seemed incredibly light on how to spot it. A word I use a lot is not a word that everyone necessarily shares but it is "align” and "alignment". To check that I was not missing something, I word-searched "alignment". I found it more often in the formatting notes to the side of the page than I did in any of the documents themselves. Okay, that is my choice of word but I could not find any other word through the document, either, when I was trying to find that as well.

This gives me the dichotomy because I already think it is too long and people will not read it. I am not going to try and solve that one for you. I think I prefer the weight on spotting as opposed to solving, and shorter is better.

The Chairman: Thanks. That is helpful. Any other comments on the guide for actuaries?

Anything now on the guide for trustees?

Mr Stephen Rees: My immediate reaction – in fact my reaction just a few moments ago – was surprise that you said you had already discussed this with the Regulator. When I read it I felt that it did not gel particularly well with the guidance that is already on the Regulator's website. So I assumed that it had been produced with some independence.

I confess it is a little while since I have read in detail the Regulator's material. But it did not come across to me as entirely consistent, partly because the regulator's approach is generally designed around the idea of being thoughtful about each situation and making your own decision, whereas this, to some extent, seemed to be saying, "No, you must not do this" and "You must do that" which I found was a fundamentally different style.

My other general reaction to it was that the last thing that my clients want, I believe, and I think my clients have probably got more patience and attention than the average pension scheme body, is they do not really want another one of these. They would not mind if the existing guidance from the regulator was supplemented with some extra information about how to deal with your actuarial advisers, and that sort of thing. But they do not really, on average, see the need for yet another document telling them what to do and what not to do. They would much rather see it subsumed within something that already exists.

The Chairman: So your point is not really about length, it is that you would like to see it appended to the tPR's guidance. Is that the crux of your point? You think that it is more likely to be noticed in that context?

Mr Stephen Ross: If something like this really had to be produced, I would rather it was appended to the tPR's guidance, rather than being a separate document.

Mr Jonathan Bernstein (Mercer): It is just a comment on what is quite a short guide on example 4, which seems to address a point that has not actually been mentioned at all anywhere else which is around two pension schemes, one employer, the same actuary advising both sets of trustees.

To me there is a clear implication, although there are caveats all over the short guide to trustees, that actually that is not a good situation.

I think in my own experience, particularly where scheme mergers can be very difficult, it is not uncommon where there are two pension schemes to try and seek to converge the advisers and also to converge the trustee body as well, so the same trustee chairman, overlapping membership, overlapping advisers. So ideally the employer and the trustees are not busy fighting among each other across three actuaries but perhaps can keep themselves focused on just two.

So the implication of this is that that is somehow bad by means of what is a fairly artificial example of where funding might get [inaudible]. I wonder if that example could be looked at.

The Chairman: So, you do not like that example.

Mr Jonathan Bernstein: I think the implication is that it is a bad thing. I am not convinced that is a correct inference to give people.

A Speaker: I have already said, Chairman, that I believe the examples should be expanded to help us understand the nuances of APS P1. At present I do not think that it does.

It occurs to me newly, in the light of the discussion, whether it is appropriate at all for the Actuarial Profession to issue a guide for trustees. I support the idea that it is the Pensions Regulator that tends to guide trustees in what to do, and perhaps the purpose that you are seeking could be served by having something like this as a sort of explanatory appendix or an illustrative appendix to APS P1 itself.

I feel that these are more addressed to me as scheme actuary than they are really to trustees. They need to make up their mind about conflict in the light of whatever advice they can get, including from the regulator. The Profession should be addressing the Profession.

Mr Graham Everness: There is certainly no intention that actuaries would be expected to give this to trustees. It is just an item in the toolkit that you can give to the trustees if you think it is appropriate.

I suppose the sort of scenario we had in mind was this. People talked at the beginning of the session about if 5.1 is introduced then a lot of employers will actually not understand why. To some extent providing a guide to explain what the provisions are and what some of the issues are that actuaries can face in terms of conflicts of interest, was thought to be a helpful tool for actuaries. They would be able to say, "Here is this guide which the Profession has produced which helps to explain where we are coming from on this." That was the idea really rather than to tell people that you really ought to be giving this to trustees and all your trustees might need to know this. It was just an option.

Actuaries' Code

The Chairman: If there is nothing more on the guides I am just going to wrap up fairly rapidly. First by saying a word about the Actuaries' Code. It has received a number of endorsements tonight from within the hall, and we are not proposing as a Working Party any immediate amendments to the Code. It is subject to review anyway in the course of next year. We have identified a couple of points that we are going to feed into that review, which are shown on the slide which is in front of you at the moment. Those points will be taken into consideration as part of the review of the code itself.

We will also, as I said, be producing, as perhaps the final part of the package – we have the proposed regulatory provision in terms of APS P1, and so on; we have the guides – the production of more CPD and appropriate training provision on conflicts which will enable that drilling down into some of this - the difficult nitty-gritty of the issues, that has been referred to in the course of discussion.

In terms of where we go next from here, we ought to have the opportunity for members to offer any comments that they might want to make additionally on the practical implications of the proposals, in terms of their impact on different types of firm or the cost or benefit of the proposals.

Maybe you think we have already covered that adequately in the course of discussion. I just wanted to make sure that we have picked up anything.

Dr David Hare: I realise that this is an insurance-related point rather than pensions point, but are we sure that the document is Solvency II proof given the roles for the actuarial function in non-life insurance as well as in life insurance?

Maybe I need to spend longer thinking about it, but it felt a little bit light on the life side of things. I think with the actuarial function holder just now with a significant

influence over the investment, the earnings of the firm, that he or she will share in through the remuneration systems that I imagine typically operate, there is an awful lot of what looks like conflict of interest that would not pass the court of public opinion – to use that awful phrase – if something then went wrong.

I am not saying that there is anything wrong with what is happening just now, but if this is, if you like, to satisfy perception as well as educated insight - and Solvency II makes that a much wider issue - is the document really picking all that up?

I recognise that maybe you cannot and maybe you have to have a caveat to say that you have not sought to do that, but this is essentially to draw a line under action points that have been hanging over the Profession for some time and that you will then review them in due course. Of course the Actuaries' Code is already there. That might be another route through.

The Chairman: Thank you, David. We have relied on the advice, of course, of both the life and the general insurance members of the Working Party. We will certainly take that point away and look specifically at the Solvency II aspect.

We are all, of course, in a situation where Solvency II is itself a moving and developing feast, so reacting to it is a somewhat challenging task other than by throwing one's hands up in horror!

Any other points finally in closing?

My thanks to you all for your attendance this evening. Thank you for the careful way in which you have commented on the proposals. We are going to have another consultation meeting in Edinburgh next Monday.

The consultation closes on 10 December. We welcome any other comments that you wish to put in. Please do submit responses to the survey, the online survey as well. We are keeping a close eye on them, and we will take them carefully into account when we are evaluating responses to the consultation.

We will then review all the responses in the course of the New Year after the consultation closes. We will come forward with revised recommendations for probable implementation in the second quarter of 2012. That is our aim.

In closing, I want to pay tribute to the members of the Working Party, who have sweated through this with me. We are grateful for all the points which have been made this evening. I can assure you that the discussion in the Working Party to arrive at the proposals before you has been one which has been difficult, time-consuming and which has explored many of the issues which have been raised this evening. That is not to say that we shall not explore them or should not explore them again.

I close with that tribute to my colleagues, who of course are all volunteers on your behalf in this important task.

Thank you again and we look forward to another day.
