

# GN29: Occupational Pension Schemes - Actuaries Advising the Trustees or a Participating Employer

## *Classification*

Practice Standard

## *Legislation or Authority*

Pensions Act 1995 (1995, c26). Section 47.

The Occupational Pension Schemes (Scheme Administration)  
Regulations 1996. SI 1996/1715.

## *Application*

In relation to any occupational pension scheme:

- (i) the Scheme Actuary appointed under the Pensions Act 1995
- (ii) any other actuary advising the Trustees

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## 1 Introduction

- 1.1 In this Guidance Note the term 'Trustees' should be read as 'Manager' (as defined in Section 124 (1) of the Pensions Act 1995) for schemes which are not established under trust.
- 1.2 The Pensions Act 1995 and The Occupational Pension Schemes (Scheme Administration) Regulations 1996, SI 1996/1715 ('the Regulations') thereunder prescribe certain advice which must be given by the Scheme Actuary. They do not require all actuarial advice which is provided to the Trustees to be given by the Scheme Actuary (although Trustees must appoint all actuaries who provide them with actuarial advice).
- 1.3 Where another actuary is appointed as a 'professional adviser' to the Trustees as defined in Section 47 (4) of the Pensions Act 1995, in addition to the Scheme Actuary, the Scheme Actuary should require the Trustees to set out in writing to both actuaries, the division in responsibilities consistent with the Pensions Act 1995 and regulations thereunder and to authorise

both actuaries to communicate with each other on matters relevant to the scheme.

## 2 Appointment

- 2.1 An actuary should not accept an appointment as a Scheme Actuary unless satisfied that he or she has appropriate knowledge and practical experience of that category of scheme (or unless he or she will be acting with the guidance of a 'mentor' Scheme Actuary with appropriate knowledge and practical experience) and the Scheme Actuary Certificate is current.
- 2.2 A newly appointed Scheme Actuary should act in accordance with paragraph 16 of the Memorandum on Professional Conduct and paragraph (l) of the Advice on Professional Conduct relevant to the appointment of the new adviser. When a Scheme Actuary is appointed to replace a Scheme Actuary who has resigned or been removed by the Trustees, an actuary may not normally act as Scheme Actuary until the Trustees have provided a statement from the previous Scheme Actuary. In exceptional circumstances (for example where the previous Scheme Actuary is incapacitated) it may be possible for an actuary to act as Scheme Actuary without the Trustees providing such a statement, but the Secretary of the Professional Affairs Board must be consulted first.
- 2.3 The Scheme Actuary should be appointed in writing by the Trustees. The letter of appointment should cover at least those matters which the Regulations require to be included. If the Scheme Actuary's responsibilities are to extend beyond the Scheme Actuary's statutory duties the additional responsibilities must be clearly stated. The letter of appointment from the Trustees should also allow the Scheme Actuary to respond to questions from the scheme's auditor. The Scheme Actuary should acknowledge his or her appointment as Scheme Actuary in writing to the Trustees in the manner, and within the timescale, set out in the Regulations. The Scheme Actuary should ensure that the Trustees are aware that appointment as Scheme Actuary is a personal appointment and not the appointment of the firm for which the actuary works. However, the Scheme Actuary must advise the Trustees if he or she moves to another firm.
- 2.4 If the Scheme Actuary accepts an appointment to advise a participating employer on matters relating to the scheme, the

Scheme Actuary should inform the Trustees. If the Scheme Actuary accepts an appointment from a participating employer to provide such advice as may be required from time to time, the Scheme Actuary only needs to inform the Trustees that there is an ongoing appointment and does not need to inform the Trustees whenever advice is given to the employer. If the Scheme Actuary is asked to advise a participating employer the Scheme Actuary must consider whether there may be a conflict of interest.

- 2.5 The Scheme Actuary should require the Trustees to notify him or her of any changes in his or her responsibilities, in which event the Scheme Actuary should consider whether it is appropriate to act or to continue to do so.
- 2.6 The Scheme Actuary must obtain from the Trustees a signed Undertaking agreeing to advise the Scheme Actuary of such events as the Scheme Actuary specifies. The events specified should be those which the Scheme Actuary considers could be of material significance to the finances of the scheme. The list in the Appendix illustrates the types of event which might typically be appropriate to include on the Undertaking, but the list is not intended to be exhaustive.
- 2.7 In drawing up the Undertaking the Scheme Actuary must be satisfied that the Trustees understand what the Scheme Actuary would consider to be 'material', 'unexpected', 'major' etc. and such terms should be defined if necessary. The Undertaking should also include appropriate timescales for notifying events. The terms of the Undertaking should be reviewed by the Scheme Actuary as frequently as he or she considers to be necessary or appropriate.
- 2.8 The Undertaking from the Trustees must also allow the Scheme Actuary access at all reasonable times, on request, to:
  - 2.8.1 the Scheme's books, accounts and supporting documentation,
  - 2.8.2 copies of the minutes of all Trustees' meetings and meetings of sub-committees of the Trustees,
  - 2.8.3 copies of all Trustees' resolutions,
  - 2.8.4 copies of all documents constituting the scheme,
  - 2.8.5 such additional information and explanation as may be required for the performance of the duties of the Scheme Actuary.

## Appendix

This Appendix illustrates the types of event which might typically be appropriate to include on the Trustees' Undertaking (see paragraph 2.6 of the Guidance Note). The list is not intended to be exhaustive.

1. Any changes in the Trust Deed and Rules of the scheme affecting contribution or benefit levels or the degree of priority accorded to benefits in the event of the winding up of the scheme or any changes which affect the normal retirement date.
2. Any action to terminate, reduce or suspend contributions to the scheme.
3. Any change in the definition of pensionable pay and any unexpected change in the general remuneration levels of scheme members.
4. Any unexpected increase or decrease in the number of members, deferred pensioners or pensioners resulting for example from:
  - 4.1 the acquisition or sale of participating companies,
  - 4.2 a large scale redundancy exercise,
  - 4.3 a change in early retirement policy or experience.
5. Any augmentation of benefits on early, normal or late retirement or on the death or withdrawal from service of a scheme member, except where the cost is met by additional contributions at the time by reference to tables provided for the purpose, or as otherwise agreed.
6. Any discretionary increases to pensions in payment and/or preserved pensions.
7. Payment or receipt of a bulk transfer value.
8. Any change in the arrangements for insuring death in service benefits or a change from insured to self-administered or vice versa.
9. Any major change in the investment policy or in the investment management arrangements, including:

- 9.1 any significant increase in employer-related investment or any change resulting in the limit being exceeded,
- 9.2 any major change in asset allocation,
- 9.3 any significant increase in concentration of investment,
- 9.4 any change in the custody arrangements.
10. Any significantly adverse investment performance relative to the objectives agreed with the investment managers or to investment conditions generally, or where there are grounds to believe that they may have occurred, or any other substantial depreciation.
11. Non-payment of the employer's and/or employees' contributions stated in the most recent Certificate A or Contribution Schedule within 3 months of the due date.
12. Any change in scheme year for accounting purposes.
13. Any change of the policy of the scheme for the payment of expenses.
14. Any decision to wind-up or otherwise discontinue the scheme.
15. Any application for a refund of surplus to a participating employer.
16. A relevant insolvency event in relation to any of the participating employers.