ASSOCIATION OF
CONSULTING ACTUARIES

Warnford Court, 29 Throgmorton Street, London EC2N 2AT
Tel: +44 (0)20 7382 4594 Fax: +44 (0)20 7374 6220 EMail: acahelp@aca.org.uk
Web: www.aca.org.uk

28 July 2008

Pension Protection Fund
Knollys House
17 Addiscombe Road
Croydon
Surrey
CR0 6SR

Dear Sirs

The Trustee Good Practice Guide - Consultation

I am writing on behalf of the Association of Consulting Actuaries, in response to the Pension Protection Fund's consultation on The Trustee Good Practice Guide.

Members of the ACA provide advice to thousands of pension schemes, including most of the country's largest schemes. Members of the Association are all qualified actuaries and are subject to the code of professional conduct of the Faculty and the Institute of Actuaries. Advice given to clients is independent and impartial. ACA members include the scheme actuaries to schemes covering the majority of members of defined benefit pension schemes.

The ACA is the representative body for consulting actuaries, whilst the Faculty and Institute of Actuaries are the professional bodies.

Our comments on each of the issues raised can be found in the Appendix to this letter.

We hope that you find our comments of assistance.

Yours sincerely

Charles Young
Chairman
Pension Schemes Committee

Appendix

General Comments

We welcome this Guide; it is a well laid out document and it should achieve its objective of assisting trustees as they take their schemes through the assessment period.

The colour-coding of sections helpfully reinforces the structure of the document, and the examples of good practice/bad practice in Section 03 serve as useful real-life examples of the five key principles.

We look forward to the release of the interactive, web-based version of the document.

Our key concern with the Guide is that certain parts of its content – notably Section 8.1 – suggest that this is a Guide that one might have expected the Pensions Regulator to be issuing, rather than the PPF. We think that the guide will discourage all but the most dedicated of lay trustees from seeing their scheme through the Assessment Period.

Q1: Do you agree with the five key principles we expect trustees to adhere to? Are there additional principles we ought to consider for inclusion in the guide which would assist trustees in completing the assessment period in a timely manner?

Yes, we think that the five key principles noted in Chapter 03 represent a sound framework to which trustees might be expected to adhere during the assessment period process.

Q2: Do you agree with the concept of performance management? How can the Pension Protection Fund best develop a transparent and objective process to inform the Pension Regulator's post appointment review process?

We believe it appropriate for trustees' performance to be monitored during the assessment period. However, we are less receptive to trustees' performance being measured. In particular, we have concerns regarding (a) the criteria upon which trustees would be judged, and (b) the consistency with which those criteria would be applied across different sets of trustees.

Turning to the specifics of rating trustees, we can see that the concept of rating trustees on a one to five scale might have merit so far as independent trustees are concerned. However, we would question whether the use of such a rating system is wholly appropriate for lay trustees. Indeed, we suspect this may serve to discourage lay trustees from seeing their scheme through an assessment period and, instead, simply encourage them to appoint independent trustees in their place.

Q3: Any additional matter we ought to address as part of the guidance?

Other specific comments are as follows:-

Section 2.1
It is arguable as to whether the question "What is the assessment period?" is explicitly answered in the paragraph that follows it.

Q3 (cont'd)

Section 2.2
Appointing an Independent Trustee: we wonder whether this might usefully include comment regarding the associated cost to the scheme of appointing independent trustees.
We also wonder whether the wording gives the impression that it would not be possible for the trustees to appoint an independent trustee of their own volition, i.e. without this having to follow the caseworker/Regulator route.

Sections 2.2, 4.1, 4.8
There appear to be several places in the Guide where trustees are asked to question the extent of their commitment, skills and competence to be able to carry out this role, and to appoint an independent trustee if necessary. While we understand the appropriateness in alerting trustees to this issue, we wonder whether the extent of the warnings in the Guide might serve to discourage lay trustees – particularly those of smaller schemes – from carrying out the role, and whether that might have been one of the intentions of such wording.

Section 5.1, Section 3.7 (example) etc
We acknowledge that the PPF caseworker is expected to have an important role to play in terms of project management. However, we believe it would assist all parties if the Guide were to make it clear – both in Section 5.1 and in any other Sections as relevant - that the caseworker's role does not extend beyond this and that, for most issues, the Trustees' first port of call for assistance should be their professional advisers, not the caseworker.

Section 6.5
Producing a section 143 Valuation: We assume the typo "complys" has been noted.

Produced by:

The Association of Consulting Actuaries
Warnford Court
29 Throgmorton Street
London EC2N 2AT
020 7382 4594
acahelp@aca.org.uk
www.aca.org.uk