

## MEMORANDUM OF UNDERSTANDING

### MADE BETWEEN:

**Institute and Faculty of Actuaries** incorporated by Royal Charter (RC000243) of Staple Inn Hall High Holborn London EC1V 7QJ (**Actuarial Profession**)

and

**Board of the Pension Protection Fund** a statutory body established under s.107 Pensions Act 2004 of Knollys House 17 Addiscombe Road Croydon CR0 6SR (**Board**)

### 1. THE ACTUARIAL PROFESSION'S ROLE

- 1.1 The Actuarial Profession is a company incorporated by Royal Charter and its objects are, in the public interest, to advance all matters relevant to actuarial science and its application and to regulate and promote the actuarial profession.
- 1.2 The Actuarial Profession serves the public interest by ensuring that where there is uncertainty of future financial outcomes, actuaries are trusted and sought after for their valued analysis and authority.
- 1.3 The Actuarial Profession has the following strategic objectives:
  - 1.3.1 To provide high quality qualifications for its students and lifelong education for its members;
  - 1.3.2 To license and regulate its members in such a way as to assure public confidence;
  - 1.3.3 To offer excellent support that meets its members' varied and evolving needs;
  - 1.3.4 To speak up on relevant matters of public interest and to raise awareness of the work of actuaries and the value that they add to society; and
  - 1.3.5 To advance all matters relevant to actuarial science

### 2. THE ROLE OF THE BOARD

- 2.1 The Pension Protection Fund (PPF) is a public corporation, set up by the Pensions Act 2004 ("the Act"), run by an independent Board which is responsible to Parliament through the Secretary of State for Work and Pensions.
- 2.2 Its vision is to protect people's futures, in particular the millions of people who belong to defined benefit pension schemes in the United Kingdom. If their employers become insolvent and their pension schemes cannot afford to pay at least PPF levels of compensation, then the PPF will pay compensation for their lost pensions.

- 2.3 Supporting its vision, the PPF has a mission to pay the right people the right amount at the right time. Currently, tens of thousands of people are receiving compensation and hundreds of thousands more will do so in the future.
- 2.4 Compensation, and the cost of running the PPF, are paid for through levies on eligible pension schemes. It also generates income from its own investments, taking on the assets of schemes that transfer to the PPF and recovering money, and other assets, from insolvent employers of the schemes it takes on.
- 2.5 The PPF is also responsible for the Fraud Compensation Fund. This fund pays compensation to members of pension schemes of all types whose employers become insolvent and the schemes have lost out financially due to dishonesty. The compensation is paid for through a separate levy on all pension schemes.
- 2.6 In addition, the PPF manages the Financial Assistance Scheme (FAS) on behalf of Government which funds the scheme. The FAS pays financial assistance to people who belonged to certain defined benefit schemes which are ineligible for compensation from the PPF, particularly those that started winding-up between January 1997 and April 2005.

### **3. SCOPE AND PURPOSE OF THIS MEMORANDUM**

3.1 This memorandum sets out the guidance and procedure for:

3.1.1 The exchange of information between the Actuarial Profession and the Board; and

3.1.2 Co-operation and co-ordination between the Actuarial Profession and the Board. This memorandum is to take effect on and from *15 Dec.* 2011.

3.2 The terms and conditions of this memorandum are subject to what is permissible at law.

3.3 Where reference is made to any action being agreed or any agreement being reached between the parties, such action or agreement will be subject to each party's internal approval process.

### **4. AREAS OF COMMON INTEREST AND JOINED WORKING**

4.1 The Actuarial Profession and the Board share a common interest in the [actuarial contribution to pension protection in the UK](#). Such contribution includes the quality of statutory valuations prepared by actuaries for the purposes of the PPF, the quality of other work conducted by actuaries at the PPF's request, and in the wider context conduct of members of the Actuarial Profession in the exercise of their professional duties.

4.2 The Actuarial Profession and the Board will meet every six months to discuss areas of common interest and/or issues and policy developments.

4.3 Where appropriate, these meetings may:

4.3.1 Give rise to areas where the parties wish to undertake joined working; and/or

4.3.2 Address circumstances where, after raising an issue directly with an actuary or firm (as appropriate) and remedial action has not been taken within a reasonable period of time for any reason, the Board wishes to inform the Actuarial Profession if it appears to the Board that:

- i) There is an issue with regards to the exercise of any actuary's professional duties (on a no-names basis); and
- ii) The Board reasonably believes that an actuary's conduct could lead to a complaint being lodged under the Actuarial Profession's disciplinary scheme in

force from time to time where such a potential compliant is based on circumstances of (in the Board's view) a recurring nature.

- 4.4 These meetings may result in the parties agreeing between them a programme of joined working and/or a letter of representation which sets out areas where a policy of procedure of the Actuarial Profession and/or the Board might be usefully developed and adopted on a common basis.
- 4.5 The Actuarial Profession's President and/or Chief Executive and the Board's Chair and/or the PPF's Chief Executive will meet annually to discuss circumstances and matters relevant to this memorandum and agree any actions as appropriate.
- 4.6 The Executives of the PPF and the Actuarial Profession will maintain a regular dialogue to identify in advance issues and consultations where collaborative work on policy development would be useful.

## **5. EXCHANGE OF INFORMATION**

- 5.1 The Actuarial Profession and the Board may request information from each other in connection with a matter, or refer a matter to the other party, if it is considered that the other party could more appropriately deal with a matter having regard to the other party's functions, resources, expertise, powers and objectives.
- 5.2 Any requests or referrals shall include details of the information or action(s) sought. Any such requests or referrals may suggest a reasonable deadline for a response, including an explanation of any urgency.
- 5.3 Any such request or referral will be duly considered and, if it is possible, responded to within the deadline. However, if this is not possible the other party will be informed as soon as is reasonably practicable and given a timescale in which it should receive a response.

## **6. SUPERVISION, ENFORCEMENT AND PROFESSIONAL DISCIPLINE**

- 6.1 The Actuarial Profession and the Board will liaise with each other as appropriate and, in particular, exchange information in relation to, and concerning the institution of, or otherwise for the purpose of, any potential or actual disciplinary proceedings relating to the exercise of an actuary's professional duties (the Actuarial Profession's actions in this regard being subject to the terms of its Disciplinary Scheme in force from time to time).
- 6.2 The Board may disclose "restricted information" (as defined in s.197(4) of the Act) to the Actuarial Profession if it is with a view to the institution of, or otherwise for the purposes of, any disciplinary proceedings relating to the exercise of an actuary's professional duties, under s. 201(2)(e) of the Act. Where such disclosure is in instigation of any disciplinary proceedings, the Board will have regard to the Actuarial Profession's Disciplinary Scheme and the meaning of Misconduct as defined in that scheme ("Misconduct").
- 6.3 The Actuarial Profession will as soon as reasonably practicable inform the Board of all Adjudication Panel, Interim Orders and Tribunal findings of Misconduct against any actuary related to any pension matter.
- 6.4 The Actuarial Profession will keep a register of all those actuaries which it has licensed as "fit and proper" to be a reserved role holder and will issue each such actuary with a Scheme Actuary's practising certificate which is renewable on an annual basis.

## **7. REVIEW**

- 7.1 The parties will consider the following either individually or at a joint meeting between (where relevant) the Presidents, Management Boards and Chief Executive Officers of both parties at least annually:
  - 7.1.1 Any issues that have arisen from the operation of this memorandum; and

7.1.2 The exercise of the Actuarial Profession's and the Board's respective responsibilities in connection with this memorandum.

7.2 The parties may then agree any actions as appropriate.

7.3 This memorandum will be reviewed, and if necessary, revised with the agreement of both parties as and when required.

## 8. TERMINATION

8.1 This memorandum may be terminated by either party upon not less than 28 days' written notice.

## 9. CONTACTS

9.1 In the absence of a specific contact, initial referrals or requests on the content of this memorandum shall be directed to;

Laura Clarke  
The Actuarial Profession  
Staple Inn Hall  
London  
WC1V 7QJ

Stephen Rice  
Pension Protection Fund  
Knollys House  
17 Addiscombe Road  
CR0 6SR

9.2 At all times thereafter, the exchange of information referred to in sections 6 and 7 will be managed through the most appropriate person as nominated by each respective party.

## 10. PUBLICATION

Copies of this memorandum will be available on the parties' websites:

<http://www.actuaries.org.uk>  
<http://www.pensionprotectionfund.org.uk>

Signed.....  
Derek Cribb  
for the Institute and Faculty of Actuaries

Date..... 3/1/12

Signed.....  
Alan Rubenstein  
for the Board of the Pension  
Protection Fund

Date..... 25 November 2011