

# Conflicts of Interest

May 2019

*This document sets out how Aon manages conflicts of interest in relation to the London Borough of Southwark Pension Fund.*

## Introduction

Aon Hewitt Ltd (Aon) is appointed by London Borough of Southwark (the Administering Authority) as Fund Actuary to the London Borough of Southwark Pension Fund (the Fund), to provide actuarial advice to the Administering Authority in relation to the Fund.

Aon may also be appointed by some employers participating in the Fund to advise them directly in relation to their liabilities in the Fund, or in relation to other pension matters.

Whilst the interests of the Fund and employers are often aligned, from time to time, potential or actual conflicts of interest may arise. Aon established arrangements and procedures to manage such situations some years ago. The Actuarial Profession has requirements for managing conflicts of interest and we interpret these as being a requirement for all actuaries who advise Local Government Pension Scheme Administering Authorities. These require fund actuaries to put appropriate arrangements in place where their firm also provides advice to any participating employers. We have therefore reviewed our approach to ensure it meets the requirements and the arrangements and procedures are set out in a conflict management plan agreed with London Borough of Southwark.

In this briefing, we outline for employers the arrangements that are in place.

## Why do some employers appoint Aon directly?

There are many reasons why employers decide to appoint their own actuarial adviser, separate from the Fund Actuary. Common reasons are:

- Preference for tailored solutions that takes their own individual circumstances into account rather than a generic solution offered to all employers in the Fund

- Acknowledgement that the Fund Actuary's primary responsibility is to the Fund, and concerns about actual or potential conflicts of interest with the Fund, and/or other employers in the Fund
- A desire or need for confidentiality from the Administering Authority and its advisers

Appointment of the Aon Scheme Employer Support team addresses all of these issues, whilst also retaining some of the cost efficiencies that can be achieved through bulk processing of calculations etc with other Fund employers.

Employers will also see lower incidental costs on transferring data and other information from or to the Fund Actuary than if they use another actuarial firm (because the two Aon teams use the same systems and terminology, etc).

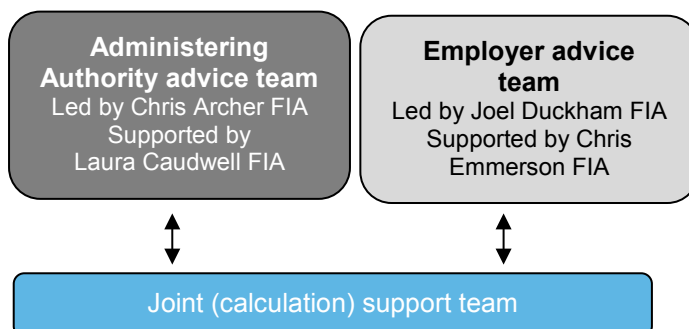
Below we set out the arrangements and procedures that are in place where Aon provides both Fund Actuary and Scheme Employer Support Services.

## Advisory team structure

There are separate Aon teams which provide actuarial advice to

- the Administering Authority, and
- those employers which have appointed Aon Hewitt Limited to advise them directly

The two advice teams are supported by a single support team who normally carry out any calculation work required:



The two advice teams may be located within the same building but have no common members. From time to time, as part of their career development, individuals may be moved from the support team into one of the advice teams.

More rarely, individuals might move between the two advice teams or from one of the advice teams into the joint support team. Where this involves an individual with knowledge of significant information which is confidential to either the Administering Authority or one or more employers, this would only be after consultation with the Administering Authority and the relevant employers.

This advisory structure means that employers have access to expert actuarial advice from their own actuarial adviser, separate from the Fund Actuary.

## Confidentiality

Aon has put in place arrangements for the confidentiality of Fund and employer information.

All advice provided by the Administering Authority and the Employer advice teams is stored in separate restricted sections of Aon's electronic databases. It will only be shared with the other advice team with the prior agreement of the Administering Authority or the relevant employer, as appropriate.

At times it is desirable and economic for the Employer advice team to have access to certain data supplied by the Administering Authority, or to calculations or advice prepared for the Administering Authority. However this will only be shared with the Employer advice team if the Administering Authority agrees.

Similarly if it is desirable and economic for the Administering Authority advice team to have access to data supplied by an employer or to calculations or advice prepared for an employer, this will only be shared with the Administering Authority advice team if the relevant employer agrees.

Members of the support team do not provide actuarial advice to either the Administering Authority or to employers. They will have access to all information, unless the Administering Authority or the relevant employer (or the respective advice team) has asked that it remain confidential in which case it will be withheld from the support team.

However, please note that in the normal course of events Aon does not operate a formal information barrier of the type required if for example the two teams were advising opposing parties in a legal dispute. Instead, within the regulatory framework of the Financial Conduct Authority, we rely on a combination of relevant professional standards, robust internal policies and procedures, and the integrity of our employees.

Please be aware that any actuary on the Administering Authority advice team who becomes aware of information provided to Aon by an employer, which could be detrimental to the Fund, does not owe a duty of confidentiality to that employer and may therefore communicate this to the Administering Authority. However the safeguards and protections outlined in this briefing are designed to avoid such a situation arising.

## Accounting and other calculation services offered by the Fund

There are a small number of services which the Administering Authority may commission from the Fund Actuary where the ultimate user is an employer. This may include:

- Advice and calculations of IAS19 and FRS102 accounting costs for inclusion in an employer's accounts. Under this approach a single universal assumption letter is issued to employers based on advice provided to the Administering Authority which is then mechanically used in the accounting calculations.
- Assessments of indemnity bonds required for admission bodies using a standard approach agreed with the Administering Authority for employers' information only.
- Estimates of updated funding positions and exit valuations for employers' information only.

We do not believe these services generally lead to a conflict of interest but employers should recognise that the Administering Authority advice team cannot offer employers advice related to the information provided.

There may be rare situations where the provision of this information may lead to an actual or potential conflict of interest for the Administering Authority advice team. If this should arise, the Administering Authority and the relevant employer would be informed and the employer asked to appoint the Employer advice team or another firm of actuaries to provide the required actuarial advice.

## Services provided by Aon

In addition to the actuarial and related services mentioned above, Aon may provide the following services to the Administering Authority:

- Investment advice
- Benefits and Governance and other non-actuarial advice and services (including advice on auto enrolment, the impact of the Annual Allowance or Lifetime Allowance on members, legislation and regulations, benefits, governance and broking services)
- Employer covenant advice

Aon may also provide the following services directly to employers in relation to their participation in the Fund or in relation to other pension arrangements:

- Actuarial advice
- Investment advice
- Benefits and Governance and other non-actuarial advice and services (including advice on auto enrolment, the impact of the Annual Allowance or Lifetime Allowance on members, statements of employing authority discretions policies, legislation and regulations, benefits, governance and broking services)
- Advice on and calculations of IAS19 and FRS102 accounting costs for inclusion in an employer's accounts using a tailored approach
- Advice in relation to pension implications of reorganisations, outsourcings and bulk transfers, including indemnity bond assessments and reviews
- Employer covenant advice
- Liability risk management

If we identify a current or actual conflict of interest, we will inform the Administering Authority and the relevant employer to agree how best to manage the conflict of interest in the circumstances.

## Other matters

This briefing describes the arrangements to manage actual or potential conflicts of interest between the Administering Authority and employers. However conflicts of interest may arise between other parties, for example, in the case of staff transfers or other transactions between employers within the Fund or with another Local Government Fund which Aon advises. The principles set out in this briefing are also applied to these situations as appropriate.

## Further information

If you have any questions on Aon's procedures for managing any actual or potential conflicts of interest that might arise or would like to have a copy of the full conflict management plan then please contact Jo Anson at Jo.Anson@southwark.gov.uk, or alternatively Chris Archer at christopher.archer@aon.com.

If you do not currently use Aon's Scheme Employer Support team and would like direct actuarial advice on any matter, or more information on what services Aon can provide, then further details are available from Jo Anson, as above, or directly from:

Joel Duckham at joel.duckham@aon.com

Chris Emmerson at chris.emmerson@aon.com

## About Aon

[Aon plc](#) (NYSE:AON) is a leading global professional services firm providing a broad range of risk, retirement and health solutions. Our 50,000 colleagues in 120 countries empower results for clients by using proprietary data and analytics to deliver insights that reduce volatility and improve performance.

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