

**JARDINE LLOYD THOMPSON**  
Benefit Solutions

26 September 2008

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Ref: 0708Lt004 Monitoring and Scrutiny  
of actuarial work

Dear Sirs

**Response to Discussion Paper: Monitoring and Scrutiny of Actuarial Work**

Jardine Lloyd Thompson provides consulting, actuarial and administration services to trustees and employers in relation to 1,000 or so work-based pension arrangements with assets ranging from a few thousand pounds to over £1,000m, and to individuals with regard to individual pensions. We employ approximately 750 pensions staff in the UK, of which about 50 are qualified actuaries and the majority of whom hold a Scheme Actuary practicing certificate. This letter sets out JLT's response to the consultation.

1 *Do you agree with our conclusion that there is enhanced scrutiny of actuarial advice since the Morris Review reported in March 2005?*

Yes

2 *Do you agree with our conclusion that, at the present time, there is only limited monitoring of compliance with professional standards?*

Whilst we agree that there is scope for increasing monitoring in some areas, we are not overly concerned about the present position.

Since we are only involved in pensions, we will not answer questions 3 and 4.

5(i) *Do you agree that the Profession should build on existing strategies (under Strategy 1 and Strategy 2) to enhance the scope and application of GN48 and to develop additional tools for regulating support in accordance with Strategy 2?*

Yes

5(iii) *Do you support any of the options identified for additional regulatory support under Strategy 1 and for additional professional support in accordance with Strategy 2?*

We would support options 1A, 1B and 1C, but not option 1D. We consider the existing arrangements for reporting concerns about actuarial issues or actuarial work to be adequate.

We would support options 2A, 2E and 2G, but not options 2B, 2C or 2F. We are strongly against option 2B and feel the three disadvantages listed strongly outweigh the advantages. Furthermore, we do not consider the fact that this is already operating in Ireland to be an advantage. We feel that 2C would merely increase bureaucracy and cost with little, if any, benefit. In relation to provision of advices outside the regulated areas we believe the actuarial profession should work on the

same base as other professionals who could equally undertake the work. The requirement for practising certificates could put actuaries at a competitive disadvantage and therefore, beyond a light touch requirement for internal Peer Review, we would suggest no further action. To that extent we would not support 2F.

Option 2 D as stated seems to imply that the separate advisors should not be employed in the same firm, a position we would not support. We would however support a requirement for separate advisors who may or may not be employed by the same firm.

We strongly support option 2G and have always felt that the requirement for an individual rather than a firm to be the Scheme Actuary is out of step with other professions such as the legal and accounting professions. The ability to appoint a firm as Scheme Actuary would improve flexibility, particularly when an individual actuary leaves a firm or changes his responsibilities within a firm. It would also avoid difficulties that can sometimes arise when a Scheme Actuary is out of the office.

- 5(iv) *What would your view be on the regulation of firms that employ actuaries against regulating actuaries only as individuals?*

We consider the regulation of firms that employ actuaries to be more appropriate and cost effective than the regulation of individual actuaries. We consider some of the monitoring of individual actuaries could be more effectively done by their firms.

- 5(v) *In what circumstances should the Profession consider adopting Strategy 3 (active monitoring by the Profession, or independently, say through an Actuarial Inspection Unit) for pensions? What additional options should the Profession consider?*

We do not consider this to be necessary and feel it would lead to unacceptable costs. We cannot think of any options not considered in the paper that we would consider to be appropriate.

- 5(vi) *Do you have any further suggestions of how Profession could promote effective and proportionate monitoring and scrutiny of actuarial work?*

We think all appropriate options have been mentioned in the paper.

- 6 *What strategy should the Profession consider for other areas in which the activities of actuaries are not specifically recognised through regulation? What are the advantages and disadvantages of the various options?*

We believe the only sensible option to consider would be to introduce a compulsory peer review requirement for all actuarial advice.

- 7 *We would welcome your assessment of the costs and / or benefits for your organisation, or generally, resulting from these proposals.*

1A to 1D are expected to have little impact.

Jardine Lloyd Thompson already does 2A, so there would not be any implications of this.

We feel that 2B and 2C would create unacceptable additional costs although these are difficult to quantify.

We do not consider there to be any material cost or saving resulting from 2E, 2F or 2G. Furthermore, the efficiencies resulting from 2G could actually lead to a saving in costs.

In relation to 2D where the requirement for separate advisors does not involve appointment of another firm then the impact would be minimal.

I thank you for giving an opportunity to comment as well as, in advance, for the consideration of our comments. I would be more than happy to discuss any of the points in more detail (my contact details are set out above)

Yours sincerely

**Phil Wadsworth MA FFA**  
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