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Thursday, 12th June 2008

Dear Christina,

I am writing in response to your discussion paper *Monitoring and Scrutiny of Actuarial Work* of May 2008. I am happy for this letter to be part of the public record.

Our firm has had over 50 different clients in the past three years, including insurers (UK and European), reinsurers, investment banks, consulting actuaries and pension-scheme trustees. We have two strands of business activity: the first is consulting on mortality and longevity; the second is a software business enabling clients to perform advanced analysis of demographic experience data, especially mortality and longevity. We are great believers in transparency, which is why we publish our methodologies in peer-reviewed journals, for example Richards (2008).

Having read your discussion paper, we have three comments:

1. In answer to Q5(iii) (Option 2D) we strongly support strict independence requirements for pension-scheme work. In particular, we regard it as untenable that the same advisor can advise both trustees and sponsoring employer. The two groups have directly competing aims — one wants to maximise the funds in the scheme, while the other wants to minimise the cost of the scheme. A good lawyer wouldn't for a moment entertain advising both trustees and employer, and neither should an actuary.
2. In response to the general point about peer review, we would urge that that this be thrown open to non-actuaries, who are often well-qualified to comment. For example, in the setting of assumptions for future mortality improvements, demographers and statisticians are at least as technically competent as actuaries in this area (and often more so).
3. A subsidiary point about peer review is that it is more important that the reviewers have suitable credentials, not whether they have some kind of newly created certification. A formal certification scheme for reviewers will necessarily reduce the pool of potential reviewers, and effectively close the door on non-actuaries.

Yours sincerely,

Stephen Richards
for and on behalf of Stephen Richards Consulting Ltd

References

RICHARDS, S. J. 2008 Applying survival models to pensioner mortality data, *British Actuarial Journal* (to appear). Available at the profession's website, or <http://www.richardsconsulting.co.uk/laws.pdf>