

## Royal Mail Pension Plan

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### **Monitoring and scrutiny of actuarial work**

This response to the Monitoring and scrutiny of actuarial work discussion paper has been prepared on behalf of the Trustee of the Royal Mail Pension Plan. Our response considers aspects of actuarial quality in the context of how these apply to a large defined benefit pension scheme. We have not commented on aspects of actuarial quality that might apply to Life Insurance or General Insurance.

We are supportive of the POB identifying areas in which it believes the quality of actuarial advice and information can be improved and generally support any recommendations which might limit the risks faced by pension scheme members through higher quality advice. There is inevitably a balance to be struck between increased regulations/compliance designed to improve the quality of actuarial advice and the increased costs charged by service providers to meet those standards. We believe that there is suitable monitoring and scrutiny of the actuarial services we employ and would not welcome any extra costs that would result from the imposition of additional requirements in this area.

### **Responses to specific questions**

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

The Trustee of the Royal Mail Pension Plan, with the benefit of professional independent trustees and support from a professional Executive team, has always scrutinised all advice provided to it, even prior to the Morris Review. In our view, this scrutiny of actuarial advice has been further encouraged through the guidance issued by the Pensions Regulator.

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

Our professional independent trustees and our professional Executive team help to ensure that the advice we receive is compliant with professional standards. The plan lawyer also

has a role to play in this monitoring. However, it is undoubtedly the case that there are many other situations where compliance with professional standards relies on the internal standards and procedures of consulting firms and/or the integrity of individual actuaries. For the larger actuarial consultancies there is likely to be a high degree of monitoring of compliance with professional standards.

#### ***Section 5: Pensions***

*In pensions, 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 regulatory support in accordance with Strategy 2?*

If monitoring is currently inadequate then it would seem sensible for this to be addressed by building on existing practice. The options listed in the discussion document under Strategies 1 and 2 appear to cover the options available to monitor actuarial work. In general some strengthening of the current monitoring system may be useful, provided that it does not interfere with existing practices of those firms whose own standards already exceed any minimum requirements.

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

Regulation of firms that employ actuaries providing advice, including sole practitioners, would seem most appropriate.

*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? Which additional options should the Profession consider?*

Strategy 3 options should only be considered where it has been demonstrated that all available options under Strategies 1 and 2 are inadequate and the benefits anticipated from a Strategy 3 option are sufficient to justify any associated extra costs.

*Do you have any further suggestions of how the Profession could promote effective and proportionate monitoring and scrutiny of actuarial work for pensions?*

If there is a need to improve monitoring and scrutiny of actuarial work, then this could be achieved by ensuring that internal formal peer review is properly carried out.

Yours faithfully,



**G P Degaute**  
**Chief Executive**