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Christina Trickett
Professional Oversight Board
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Our Ref: JM/JB/4.1

September 3rd 2008

Dear Ms Trickett,

FINANCIAL REPORTING COUNCIL/PROFESSIONAL OVERSIGHT BOARD DISCUSSION PAPER: MONITORING AND SCRUTINY OF ACTUARIAL WORK

We welcome the opportunity to comment on the above discussion paper.

INTRODUCTION TO SPC

SPC is the representative body for a wide range of providers of advice and services to work-based pension schemes and to their sponsors. SPC's Members' profile is a key strength and includes accounting firms, solicitors, insurance companies, investment houses, investment performance measurers, consultants and actuaries, independent trustees and external pension administrators. SPC is the only body to focus on the whole range of pension related services across the private pensions sector, and through such a wide spread of providers of advice and services. We do not represent any particular type of provision or any one interest - body or group.

Many thousands of individuals and pension funds use the services of one or more of SPC's Members, including the overwhelming majority of the 500 largest UK pension funds. SPC's growing membership collectively employs some 15,000 people providing pension-related advice and services.

The discussion paper has been considered by SPC's Actuarial Committee, which comprises actuaries from consultancy and life office backgrounds.

INTRODUCTION TO THESE COMMENTS

Given the background of our Committee, these comments are restricted to the pensions aspects of the discussion paper.

RESPONSES TO QUESTIONS

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

Yes, in the pensions field this scrutiny is specifically exercised by the Pensions Regulator.

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

The description in the discussion paper is accurate. In practice, cases where there has not been compliance with professional standards, have been brought to light.

Question 5(i). In pensions, do you agree that the Profession should build on existing strategies to enhance the scope and application of GN48 and to develop additional tools for regulatory support in accordance with Strategy 2?

Yes.

Question 5(iii). If so, do you support any of the options for additional professional requirements under Strategy 2?

We have substantial doubts about the feasibility of requiring external peer review. The discussion paper refers to the cost implications and confidentiality considerations and we view these as important disadvantages.

We are not sure what the practical experience of operating external peer review in Ireland has been.

Internal peer review, where feasible, perhaps carried out by another office of the same firm, can be rigorous and we are not aware of any overriding justification for imposing the extra costs of external reviews on clients.

In respect of option 2(c) (Administrative Monitoring of Compliance with Quality Assurance Requirements), we are not sure how this could be made to work effectively for people whose work is not governed by a clearly defined process.

We would not support option 2(d) (Introduction of Structural Independence Requirements) because we consider that any benefit to clients would generally not compensate for the additional costs. We are far from convinced that actuarial conflicts of interest are sufficient to require separate appointments.

In any case, the threshold of 20 members might need to be readdressed. If it includes pensioner members it could catch some schemes with only a handful of active members.

Question 5(iv). What would your view be on the regulation of firms which employ actuaries as against regulating actuaries only as individuals?

We do not see a justification for regulating firms which employ actuaries.

There will have to be a structure for regulating actuaries as individuals, since some operate as sole traders. We suggest that it would be better to therefore regulate all actuaries as individuals rather than have a separate additional structure for regulating firms.

Question 5(v). In what circumstances should the Profession consider adopting Strategy 3 for pensions. Which additional options should be Profession consider?

We agree with the analysis in the discussion paper.

Question 5(vi). Do you have any further suggestions of how the Profession could promote effective and proportionate monitoring and scrutiny of actuarial work in pensions?

No.

Question 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 suggest that compliance with the Actuaries' Code should be sufficient.

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

This is a question which is best answered by specific organisations, rather than by a representative body, but in general we would expect that there would frequently be cases in which the extra costs imposed by the proposals would not be compensated for by the benefits they bring.

Yours sincerely

John Mortimer
Secretary