firstactuarial
Actuaries & Consultants

The Morris Review
Room G/37
1 Horse Guards Road
London
SW1A 2HQ

3 February 2005

Dear Sirs,

I am pleased to set out below the response from First Actuarial plc to the Morris Review of the Actuarial profession: Interim Assessment

This response should be read in the context of First Actuarial plc being a new actuarial consultancy specialising in pensions and focusing mainly on small and medium-sized enterprises.

By way of further background, all the directors of First Actuarial are qualified actuaries with sole ownership of the business.

Response

First Actuarial has one general comment and a number of comments that address particular questions raised in the Interim Assessment.

General comment

The role of the senior actuary

The Professional Conduct Standards (PCS) issued by the Professional Affairs Board of the Institute of Actuaries defines the role of a senior actuary for actuarial firms but does not go on to give specific guidance to actuaries who fulfil this role and does not facilitate a forum where these actuaries can discuss and reach a common approach to professional matters that may be of concern to many firms.

First Actuarial therefore would welcome a recommendation from the Morris review that specific guidance is provided to assist senior actuaries fulfil their role and that a forum is set up so that senior actuaries can exchange views and experiences so as to resolve professional issues quickly and in a consistent manner across firms.

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Responses to specific questions

Chapter 2 – Increasing market testing a) greater scrutiny of performance

First Actuarial can see no reason why users of actuarial services should be required, as suggested under option 2, to undertake a formal review of advisers at set intervals. Whilst periodic market testing of any contracted services must be regarded as best practice, we fail to see why users of actuarial services should be required to incur the costs involved in formal reviews at set intervals, particularly if the user is satisfied with the service being provided.

First Actuarial supports the suggestion in option 4 that there should be effective peer review of actuarial advice and notes that the Institute of Actuaries has already taken steps towards this in relation to certain aspects of actuarial advice given by scheme actuaries.

Chapter 5 - Options for pensions

Separating the roles of advising the employer and trustees (option 4) as a matter of course, particularly for small and medium companies/schemes, in the absence of any conflict would place additional costs on businesses for no measurable benefit.

First Actuarial, which has experience of advising both trustees and employers for many smaller schemes, therefore supports continuation of the current situation where this dual role is allowed subject of course to there being no conflict of interest.

Chapter 6 – CPD

First Actuarial would support measures, such as those set out under option 2, to improve the opportunities for CPD, particularly for CPD ahead of key changes.

Chapter 6 – CPD monitoring

First Actuarial supports option 2, namely that a three year CPD monitoring requirement should be introduced for all working actuaries (other than those holding statutory roles).

In particular, we believe that a ten year CPD monitoring period for actuaries without a statutory or non-statutory practicing certificate would have no noticeable effect on the quality of actuarial advice provided by such actuaries and would therefore be of very limited value.

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Chapter 7 – Standard Setting

First Actuarial supports the principle of an Actuarial Standards Board subject to oversight by a suitable independent body (option 2) but remains to be convinced that the Financial Reporting Council is the most suitable body to provide this oversight.

Chapter 8 – Scrutiny of actuaries in pensions

First Actuarial, as mentioned earlier, supports the introduction of a formal peer review of work carried out by scheme actuaries (option 3).

First Actuarial does not, however, believe that carrying out an audit of the scheme actuary's triennial valuation would be cost effective for pension scheme trustees.

Indeed, following the introduction of the Statutory Funding Objective later this year it is expected that scheme actuaries will be conducting annual valuations (or at least annual reports to supplement triennial valuations) and an audit requirement on these annual valuations or reports will serve to add further costs with little or no benefit to scheme trustees or members.

Yours faithfully,

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