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## **BUCK QUESTIONS BENEFITS OF ACTUARIAL PROPOSALS**

**LONDON:** 07 October 2008 – Buck Consultants (Buck), an ACS company and one of the world's leading human resource and benefit consulting firms, today warns of the risks to already dwindling defined benefit pension schemes of introducing additional layers of scrutiny without a commensurate benefit.

Buck was responding to consultation on 'Monitoring and Scrutiny of Actuarial Work' from the Professional Oversight Board and 'Promoting Actuarial Quality' from the Financial Reporting Council.

It noted that, since the Morris Review, there has been an increase in the independent monitoring of actuarial work in pensions but, because of the complexity of the work, such monitoring will always be limited, unless large new resources (at significant additional cost) can be directed at it. Buck's view is that the actuarial profession is not in a position to do this effectively.

If any increase in reviewing work is deemed necessary, it should therefore be through the increased involvement of the employed actuary's firm, possibly involving a shift in regulatory emphasis from the individual actuary to the firm itself. This would both reflect the practicalities of the present working environment and bring actuarial firms more into line with the way in which accountancy firms are regulated.

Buck also identified poor data as a main source of actuarial inaccuracies, particularly in respect of older schemes.

A key future challenge for actuaries is conflicts of interest among advisers. Full separation of advisers for client employers and their pension scheme trustees has significant cost implications, and is not always justified. The pragmatic solution adopted by many of the larger consultancies – 'Chinese walls' – is more difficult for the smaller firms to achieve. Given that smaller schemes tend to employ the smaller actuarial firms, this has worrying implications for the future viability of smaller schemes.

Buck Consultants' spokesman, Fraser Smart, said: "Whilst we support the drive to ensure that actuaries' work is of the highest standard, this has to be balanced against the costs – whether direct or indirect – of doing so. Defined benefit schemes are already in massive decline. A chief contributor to this process has been the extent to which they have been regulated over recent years. Given the government's professed desire to encourage their renaissance, it is incumbent upon all interested parties to recognise practical realities and resist temptations to regulate them into extinction."

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**Notes to editors:**

**Buck Consultants**, an ACS company, is a leader in human resource and benefits consulting with more than 1,500 professionals worldwide. Founded in 1916, Buck is an innovator in the areas of retirement benefits, investment advice, health and welfare programmes, human resource management, compensation and employee communication. News and other information about Buck Consultants is available at [www.buckconsultants.co.uk](http://www.buckconsultants.co.uk). Buck is an independent subsidiary of Affiliated Computer Services, Inc (ACS).

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