



SOCIETY OF ACTUARIES

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Image vs. reality: the professionalism chain

by Robert Heitzman

In Washington, many swear by the slogan, "Image is everything." But, most believe that reality counts, too. If the image is not backed by reality, it fades fast.

What is the image of the pension actuary in Washington? It's not as good as it should be. On the perennial issue of how we select our assumptions, for example, we are under assault from many directions—Congress, the IRS, FASB, the SEC, and the PBGC. The prevailing cynical view is that actuaries manipulate assumptions too readily to serve the "nefarious" goals of their clients. This cynicism is deep and strongly held in certain quarters.

Profession or trade?

Are actuaries members of a profession or a trade? I believe the distinction comes primarily from the degree to which professional judgement is a part of our work. In the past 25 years, the work of pension actuaries has evolved away from the professional end of the spectrum and toward the trade end. I think all of us would like to reverse that trend.

Reality versus image

What is the reality behind the image? In my mind, professionalism is a chain reaction with four links. The end reaction is the perception that others have of us. The middle links are our standards and our enforcement of them (the reality behind the image). What starts this chain reaction is our profession's acceptance of the standards and enforcement process (also image, but from a different perspective). What is the status of the professionalism chain?

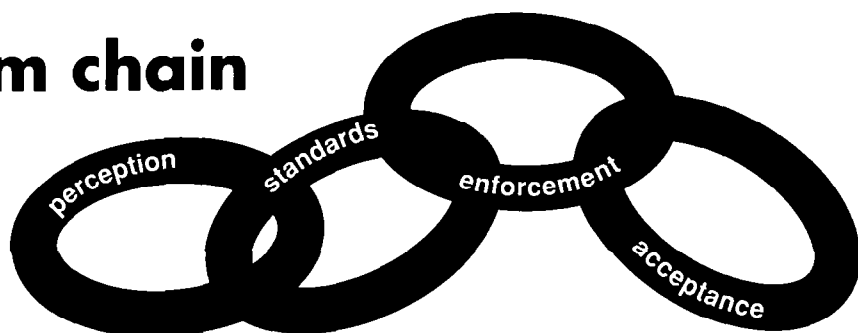
The reality is better than the image. We

have some good professional standards on assumptions that the Actuarial Standards Board (ASB) promulgated and more are in the works. We have a mechanism for enforcing our standards, the Actuarial Board for Counseling and Discipline (ABCD). Both bodies are young and will improve as they develop and mature.

Accepting the standards process

Our acceptance of the process needs improvement. The economic assumptions standard, for example, has run into too many roadblocks. A vocal group believes it is inappropriate for the profession to impose constraints on its own practices, because there are already so many other constraints imposed by others. I think this is bad logic.

The reason others impose constraints on us is that we have imposed so few on ourselves in the past. Nobody likes constraints, but if we must have them, wouldn't we prefer our fellow actuaries to impose them? Constraints imposed by others have been and will continue to be randomly annoying, counterproductive, nonsensical, internally inconsistent, arbitrary, paperwork proliferating, or worse. Until we start imposing meaningful constraints on ourselves, things will get worse, not better.



Strong professional standards

We need to strengthen all four links of the professionalism chain. The ASB should continue to promulgate standards that we need and be alert to imposing constraints that are clear and enforceable. The ABCD should take action against actuaries who violate those standards in their practice, preferably with gentle persuasion as the first step. The middle links of the chain — standards and their enforcement — must be strengthened and that is happening.

Unfortunately, some seem more interested in filibustering the standards process than nurturing it. Please, folks, reconsider your position.

A mission of the American Academy of Actuaries is to burnish our professional image in Washington. We are working hard at doing that. Yet, it is no use touting our professionalism if we can't stand up to scrutiny. We will lose our credibility quickly if we do that. We can work on the image, but any gains will be temporary if the reality doesn't back it up.

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