



SOCIETY OF
ACTUARIES®

2019 **ANNUAL
MEETING**
& EXHIBIT

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Toronto, Canada

Session 192: Ethics for the Retirement Actuary

[SOA Antitrust Compliance Guidelines](#)

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Ethics for the Retirement Actuary

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SOCIETY OF ACTUARIES

Antitrust Compliance Guidelines

Active participation in the Society of Actuaries is an important aspect of membership. While the positive contributions of professional societies and associations are well-recognized and encouraged, association activities are vulnerable to close antitrust scrutiny. By their very nature, associations bring together industry competitors and other market participants.

The United States antitrust laws aim to protect consumers by preserving the free economy and prohibiting anti-competitive business practices; they promote competition. There are both state and federal antitrust laws, although state antitrust laws closely follow federal law. The Sherman Act, is the primary U.S. antitrust law pertaining to association activities. The Sherman Act prohibits every contract, combination or conspiracy that places an unreasonable restraint on trade. There are, however, some activities that are illegal under all circumstances, such as price fixing, market allocation and collusive bidding.

There is no safe harbor under the antitrust law for professional association activities. Therefore, association meeting participants should refrain from discussing any activity that could potentially be construed as having an anti-competitive effect. Discussions relating to product or service pricing, market allocations, membership restrictions, product standardization or other conditions on trade could arguably be perceived as a restraint on trade and may expose the SOA and its members to antitrust enforcement procedures.

While participating in all SOA in person meetings, webinars, teleconferences or side discussions, you should avoid discussing competitively sensitive information with competitors and follow these guidelines:

- **Do not** discuss prices for services or products or anything else that might affect prices
- **Do not** discuss what you or other entities plan to do in a particular geographic or product markets or with particular customers.
- **Do not** speak on behalf of the SOA or any of its committees unless specifically authorized to do so.
- **Do** leave a meeting where any anticompetitive pricing or market allocation discussion occurs.
- **Do** alert SOA staff and/or legal counsel to any concerning discussions
- **Do** consult with legal counsel before raising any matter or making a statement that may involve competitively sensitive information.

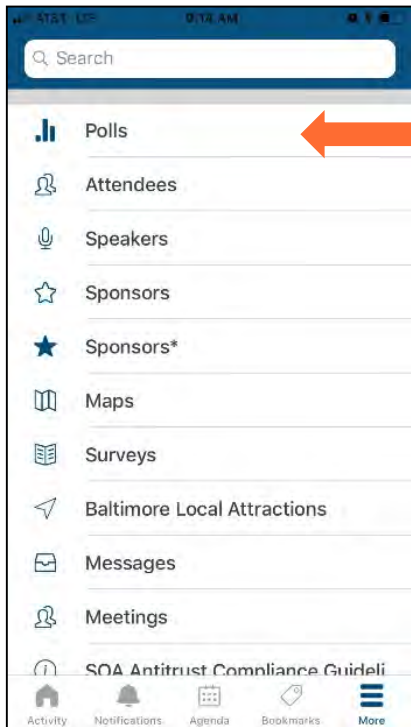
Adherence to these guidelines involves not only avoidance of antitrust violations, but avoidance of behavior which might be so construed. These guidelines only provide an overview of prohibited activities. SOA legal counsel reviews meeting agenda and materials as deemed appropriate and any discussion that departs from the formal agenda should be scrutinized carefully. Antitrust compliance is everyone's responsibility; however, please seek legal counsel if you have any questions or concerns.

Presentation Disclaimer

Presentations are intended for educational purposes only and do not replace independent professional judgment. Statements of fact and opinions expressed are those of the participants individually and, unless expressly stated to the contrary, are not the opinion or position of the Society of Actuaries, its cosponsors or its committees. The Society of Actuaries does not endorse or approve, and assumes no responsibility for, the content, accuracy or completeness of the information presented. Attendees should note that the sessions are audio-recorded and may be published in various media, including print, audio and video formats without further notice.

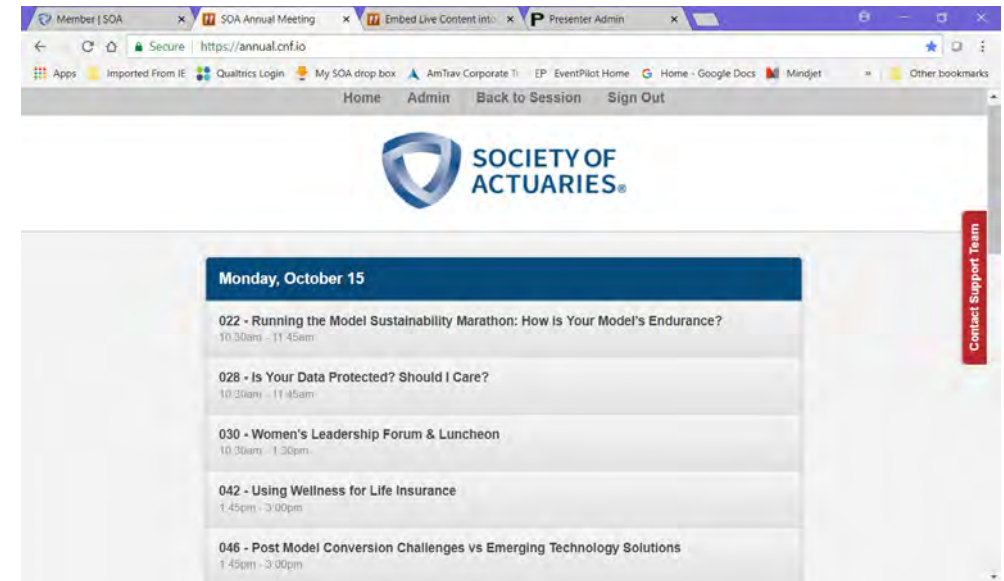
To Participate, look for Polls in the SOA Event App or visit annual.cnf.io in your browser

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Introduction



What are Ethics?

- Ethics
 - standards that guide personal decisions and actions
 - are derived from core values
 - are personal



Profession: a vocation requiring specialized knowledge



A Bit of Background - Professionalism

- Actuaries have codes or rules that guide our activities
 - Rules of Professional Conduct (Canada)
 - Code of Professional Conduct (US)
 - Rules and Code are substantially similar
- Also Consolidated Standards of Practice (CSOP) in Canada and Actuarial Standards of Practice (ASOPs) in the US
 - Not for today's discussion

CODE OF CONDUCT
CODE OF CONDUCT

How do Ethics fit in?

- We all have our own ethical standards that come into play
 - Bathroom mirror test
 - Front page of the newspaper test
 - Eat or sleep test
- *“When you have to make a decision, always make the choice that will let you sleep better, not the one that will let you eat better.”* - Edward A. Lew, SOA President 1973 - 1974



Warm Up



The Software Error

- You discover an error in your software
- The result is a significant decrease in surplus you calculated at your last valuation
- You consider reporting the error to the client at your next scheduled meeting in six months

What rules/precepts apply?

What Rules/Precepts apply?

- Professional Integrity
- Communications and Disclosure
- Control of Work Product
- Other



Live Content Slide

When playing as a slideshow, this slide will display live content

Poll: What Rules/Precepts apply?

The Software Error

- You discover an error in your software
- The result is a significant decrease in surplus you calculated at your last valuation
- You consider reporting the error to the client at your next scheduled meeting in six months

What would you do?

What would you do?

- Wait until the meeting to report the error
- Meet your client earlier to discuss potential actions
- Call the CIA/ABCD for advice
- Other

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Poll: What would you do?

Case Studies



The Slow Client

- Longstanding pension client
 - Administration, actuarial and consulting
 - Fee-for-service
 - Benefits' client
 - Commissions

The Slow Client

- Client is notoriously slow at paying invoices
 - Usually 10-12 months' behind
 - Constant reminders required
 - Pressure from internal receivables team
- Also slow at responding to your requests

The Slow Client

- Client sends December 31 year-end data in late May
 - Requested in February
- Member statements due June 30th
- Valuation report due September 30th

What Rules/Precepts apply?

- When you are thinking about how to respond, what Rules/Precepts apply?

What Rules/Precepts apply?

- Professional Integrity
- Communications and Disclosure
- Confidentiality
- Other



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Poll: What Rules/Precepts apply?

What would you do?

- Business as usual
- No new work before invoices are paid
- Pass the client to a younger consultant
- Resign
- Other

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Poll: What would you do?

Would your response change based on...

- Benefits engagement?
- Client's financial situation?

Slow Client becomes a Lost Client

- Before you decide what to do
 - Client calls you to let you know they retained another actuary
 - Asks you to provide member data and plan documents to your replacement
- Except for member data, you know that the client has all the documents

What Rules/Precepts apply?

- When you are thinking about how to respond, what Rules/Precepts apply?

What Rules/Precepts apply?

- Conflict of Interest
- Courtesy and Cooperation
- Standards of Practice
- Other



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Poll: What Rules/Precepts apply?

How do you respond to this request?

- Refuse to provide member data and plan documents until outstanding invoices are paid
- Provide member data to the new actuary and remind the client that he has the other documents
- Provide member data and plan documents to the new actuary and deal with invoices later
- Other

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Poll: How do you respond to this request?

Working with the new actuary

- New actuary calls to discuss transition and asks about your relationship with the client

What Rules/Precepts apply?

- When you are thinking about how to respond about your relationship, what Rules/Precepts apply?

What Rules/Precepts apply?

- Conflict of Interest
- Professional Integrity
- Confidentiality
- Other



Live Content Slide

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Poll: What Rules/Precepts apply?

How would you respond?

- Let the new actuary know what you advised the client vis-à-vis files and data and nothing else
- Answer the question directly and honestly
- Answer the question politically, but in a way that clearly describes your relationship
- Lie through your nose
- Other

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Poll: How would you respond?

About the transition...

- New actuary asks for data and files
- Except for member data, you know that the client has all the documents

What would you do about the transition?

- Provide data and advise the new actuary to get files from the client
- Provide data and files and charge the client for work done
- Provide data and advise client to provide files
- Other

Live Content Slide

When playing as a slideshow, this slide will display live content

Poll: What would you do about the transition?

Special Request

- New actuary has a special request
 - Send the information to his personal email address
 - His company's network is down
 - He needs to get started right away

What would you do?

- Discuss with your client what information should be shared with the new actuary
- Without direction from the client, limit information shared with the new actuary to specifics regarding the engagement
- Advise client of risks involved in data transmission, and seek client agreement or even a legal indemnity regarding risky transmission of personal information
- Other

Live Content Slide

When playing as a slideshow, this slide will display live content

Poll: What would you do?

What if...

- You advise the client, within one day and in writing
 - No cooperation with the new actuary until payment of
 - Outstanding invoices
 - Estimated current year invoices
- No response from client, but on June 15th
 - Client asks you to approach regulator
 - Requesting an extension on the work due by June 30th

How do you respond?

- Contact the pension regulator and request the extension
- Direct the client to make the request
- Direct the client to have the new actuary make the request
- Other

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Poll: How do you respond?

Moving along...

- Over the Summer
 - Back invoices paid
 - Data and documents transferred

September Surprise

- On September 15th
 - New actuary contacts you with questions
 - Potential error in your last valuation
 - Early retirement subsidies understated for some members
 - Plan liabilities being understated by 5%
- Timely response needed
 - So new actuary can complete work
- Quick review suggests the new actuary may be correct

How do you respond?

- Ignore the request and let the other actuary deal with it - it's not your account anymore
- Contact your former client to discuss the situation
- Acknowledge the issue to the other actuary and suggest that they write off the difference as a “programming improvement”
- Other

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Poll: How would you respond?

What if...

- the differential was 2%, not 5%?
- past invoices had not yet been paid?

If the differential were 2%, I would respond differently.

- Yes
- No

Live Content Slide

When playing as a slideshow, this slide will display live content

Poll: If the differential were 2%, I would respond differently.

If past invoices had not been paid, I would respond differently.

- Yes
- No

Live Content Slide

When playing as a slideshow, this slide will display live content

Poll: If past invoices had not been paid, I would respond differently.

Closing Thoughts

*“When you have to make a decision,
always make the choice that will let you
sleep better, not the one that will let you
eat better.”* - Edward A. Lew, SOA
President 1973 - 1974



Reminders

- Complete the online review of this session

Rules of Professional Conduct CIA

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Rules of Professional Conduct (CIA)

Professional Integrity

Rule 1. A member shall act honestly, with integrity and competence, and in a manner to fulfil the profession's responsibility to the public and to uphold the reputation of the actuarial profession.

Qualification Standards

Rule 2. A member shall perform professional services only when the member is qualified to do so and meets applicable qualification standards

Standards of Practice

Rule 3. A member shall ensure that professional services performed by or under the direction of the member meet applicable standards of practice.

Rules of Professional Conduct (CIA)

Disclosure

Rule 4. A member shall make full and timely disclosure to a client or employer of the sources of all direct and indirect compensation that the member or the member's firm has received or may receive in relation to an assignment for which the member provides professional services to that client or employer.

Conflict of Interest

Rule 5. A member shall not perform professional services involving an actual or potential conflict of interest unless:

- the member's ability to act fairly is unimpaired,
- there has been full and timely disclosure of the conflict to all known present and prospective direct users, and
- all known present and prospective direct users have expressly agreed to the performance of the services by the member.

Rules of Professional Conduct (CIA)

Control of Work Product

Rule 6. A member who performs professional services shall take reasonable steps to ensure that such services are not used to mislead other parties or to violate or evade the law.

Confidentiality

Rule 7. A member shall not disclose to another party any confidential information obtained through a professional assignment performed for a client or employer unless expressly or implicitly authorized to do so by the client or employer, or required to do so under Rule 13, or required to do so by the Committee on Professional Conduct, an Investigation Team, a Disciplinary Tribunal or an Appeal Tribunal regarding any disciplinary matter arising under Section 20 of the Bylaws, or required to do so by law.

Rules of Professional Conduct (CIA)

Courtesy and Cooperation

Rule 8. A member shall perform professional services with courtesy and professional respect, shall avoid unjustifiable or improper criticism of other members, and shall cooperate with others in the client's or employer's interest.

Advertising

Rule 9. A member shall not engage in any advertising or business solicitation activities in respect of professional services that the member knows or should know are false or misleading, or that reflects unfavourably on the profession or the competence or integrity of any member thereof.

Titles and Designations

Rule 10. A member shall make use of membership titles and designations of a recognized actuarial organization only in a manner that conforms to the practices authorized by that organization.

Rules of Professional Conduct (CIA)

Collateral Obligations

Rule 11. A member shall disclose any criminal conviction pursuant to Bylaw 3.1.12(1), 3.1.12(2), or 3.1.12(3).

Rule 12. A member shall respond promptly, truthfully and fully to any request for information by, and shall cooperate fully with, the Committee on Professional Conduct, an Investigation Team, a Disciplinary Tribunal, an Appeal Tribunal, or any member of such bodies regarding any disciplinary matter arising under Section 20 of the Bylaws.

Rules of Professional Conduct (CIA)

Collateral Obligations (cont.)

Rule 13. A member who becomes aware of an apparent material noncompliance with the Rules or the standards of practice by another member shall attempt to discuss the situation with the other member and resolve the apparent noncompliance. In the absence of such discussion and resolution, the member shall report such apparent noncompliance to the Committee on Professional Conduct, except where such reporting would be contrary to law or, when the member is acting in an adversarial environment, for the duration of such adversarial environment.

In order to foster education amongst members, thereby fulfilling the profession's responsibility to the public, a member who has a question about the spirit or intent of the standards of practice, or of generally accepted actuarial practice when no standards exist, may consult in confidence with the chairperson (or vicechairperson) of a designated council, established by the Board pursuant to Bylaw 9.06 or of an appropriate practice committee. When consulted in such a capacity, the chairperson (or vice-chairperson) who becomes aware of an apparent material noncompliance with the standards of practice by another member shall not report the apparent noncompliance to the Committee on Professional Conduct.

When a member, in their capacity as occupant of any position within the Institute designated by the Board from time to time by resolution, or any position within any other entity so designated, becomes aware of an apparent material noncompliance with the standards of practice by another member, such member shall not report such apparent noncompliance to the Committee on Professional Conduct.

Rules of Professional Conduct (CIA)

- For additional detail (definitions and annotations), see:

<http://www.cia-ica.ca/publications/rules-of-professional-conduct>

Code of Professional Conduct (SOA & US-based actuarial orgs)

Professional Integrity

PRECEPT 1. An Actuary shall act honestly, with integrity and competence, and in a manner to fulfill the profession's responsibility to the public and to uphold the reputation of the actuarial profession.

Qualification Standards

PRECEPT 2. An Actuary shall perform Actuarial Services only when the Actuary is qualified to do so on the basis of basic and continuing education and experience and only when the Actuary satisfies applicable qualification standards.

Standards of Practice

PRECEPT 3. An Actuary shall ensure that Actuarial Services performed by or under the direction of the Actuary satisfy applicable standards of practice.

Code of Professional Conduct (SOA & US-based actuarial orgs)

Communications and Disclosure

PRECEPT 4. An Actuary who issues an Actuarial Communication shall take appropriate steps to ensure that the Actuarial Communication is clear and appropriate to the circumstances and its intended audience and satisfies applicable standards of practice.

PRECEPT 5. An Actuary who issues an Actuarial Communication shall, as appropriate, identify the Principal(s) for whom the Actuarial Communication is issued and describe the capacity in which the Actuary serves.

PRECEPT 6. An Actuary shall make appropriate and timely disclosure to a present or prospective Principal of the sources of all direct and indirect material compensation that the Actuary or the Actuary's firm has received, or may receive, from another party in relation to an assignment for which the Actuary has provided, or will provide, Actuarial Services for that Principal. The disclosure of sources of material compensation that the Actuary's firm has received, or may receive, is limited to those sources known to, or reasonably ascertainable by, the Actuary.

Code of Professional Conduct (SOA & US-based actuarial orgs)

Conflict of Interest

PRECEPT 7. An Actuary shall not knowingly perform Actuarial Services involving an actual or potential conflict of interest unless:

- the Actuary's ability to act fairly is unimpaired;
- there has been disclosure of the conflict to all present and known prospective Principals whose interests would be affected by the conflict; and
- all such Principals have expressly agreed to the performance of the Actuarial Services by the Actuary.

Control of Work Product

PRECEPT 8. An Actuary who performs Actuarial Services shall take reasonable steps to ensure that such services are not used to mislead other parties.

Code of Professional Conduct (SOA & US-based actuarial orgs)

Confidentiality

PRECEPT 9. An Actuary shall not disclose to another party any Confidential Information unless authorized to do so by the Principal or required to do so by Law Courtesy and Cooperation.

PRECEPT 10. An Actuary shall perform Actuarial Services with courtesy and professional respect and shall cooperate with others in the Principal's interest.

Advertising

PRECEPT 11. An Actuary shall not engage in any advertising or business solicitation activities with respect to Actuarial Services that the Actuary knows or should know are false or misleading.

Titles and Designations

PRECEPT 12. An Actuary shall make use of membership titles and designations of a Recognized Actuarial Organization only in a manner that conforms to the practices authorized by that organization.

Code of Professional Conduct (SOA & US-based actuarial orgs)

Violations of the Code of Professional Conduct

PRECEPT 13. An Actuary with knowledge of an apparent, unresolved, material violation of the Code by another Actuary should consider discussing the situation with the other Actuary and attempt to resolve the apparent violation. If such discussion is not attempted or is not successful, the Actuary shall disclose such violation to the appropriate counseling and discipline body of the profession, except where the disclosure would be contrary to Law or would divulge Confidential Information.

PRECEPT 14. An Actuary shall respond promptly, truthfully, and fully to any request for information by, and cooperate fully with, an appropriate counseling and disciplinary body of the profession in connection with any disciplinary, counseling or other proceeding of such body relating to the Code. The Actuary's responsibility to respond shall be subject to applicable restrictions on Confidential Information and those imposed by Law.

Code of Professional Conduct (SOA & US-based actuarial orgs)

- For additional detail (definitions and annotations), see:

<https://www.soa.org/about/governance/about-code-of-professional-conduct/>