



Workshop 36 Professionalism and Ethics for Actuaries

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Overview of Professional and Ethical Conduct for Actuaries

- Governed by Codes of Professional Conduct
 - ASPPA
 - Other actuarial organizations
- Governed by IRS Circular 230



Common Standards of Practice

- Act with integrity
- Competence / Due diligence
- Proper use of work product
- Disregard of rules or regulations
- Respect confidentiality
- Avoid conflicts of interest
- Proper Communication
- Avoid improper advertising
- Return of records / Cooperation / Fee disputes



Who is the Client?

- Employer
- Employer's shareholders
- Contact person (or senior management)
- Pension Plan
- Employees / Participants
- Union
- Clients vs. Stakeholders -- what's the difference?



Businessperson vs. Professional

- How far to push the rules
- Actuary's Practice
 - Risk losing client
 - Is this a large portion of the actuary's practice?
 - Fix error next year
 - Is the error material?
 - Likelihood of getting caught



Businessperson vs. Professional (continued)

- It's the client's problem (?)
 - He is signing Form 5500 (IRS return)
 - He is at risk, not the actuary (?)
 - He may not know, or care
 - Is he relying on your professional advice?
 - Is there an attorney involved?



What is the Risk to the Actuary?

- The unhappy (ex-) client finds out
- Another actuary finds out
- Participants are hurt
- Attorney (client's or participants') gets involved
- IRS, DoL or PBGC gets involved



Today's Cases

- Refusal to pay fees
- An abusive client
- Subpar work by an uncooperative prior actuary
- Client takes money from retirement plan
- Questionable asset values
- Deliberate materially incorrect information



Comments on Case Studies

- Is the answer straight-forward? The more interesting situations are not?
- What will you do in practice?
 - It's easy to say what *I would do*, or what *you should have done*.
 - But when it's your upset client, the advisor (CPA, investment advisor) is willing to look the other way, or your boss won't be happy ...



Some Final Thoughts

- “Don’t make your client’s problem your problem”
- What if it blows up?
- Is the situation causing you to lose sleep?
Once you make you decision, will you be comfortable with your decision or will you continue to lose sleep?
- What do you want your reputation to be?

