Workshop 36
Professionalism and Ethics for Actuaries

Karen Smith, MSPA, FSA, EA
Nova 401(k) Associates
Houston, TX

Richard Kutikoff, MSPA, FSA, EA
Pacific Benefit Services
Sherman Oaks, CA
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 your decision, will you be comfortable with your decision or will you continue to lose sleep?
- What do you want your reputation to be?