



Institute
and Faculty
of Actuaries

Professionalism Resource Material

Archie the Actuary : Impartiality

by the Professionalism Awareness Committee

Archie the Actuary

Part Three – Impartiality by Jim Boyle

In the third of a series of articles where Archie the Actuary and his group of friends act as our guide through the elements of the Actuaries' Code and explore its relevance and importance, Archie asks how we demonstrate impartiality in the glare of external scrutiny.

Archie follows with interest the career of his former assistant and prodigy, Melissa, who some years ago was head-hunted to a senior role in the UK actuarial practice of a multi-national management services firm. He is intrigued when Melissa calls him out of the blue to “sound him out” about a professional issue.

Melissa is Scheme Actuary to the Trustees of a pension scheme sponsored by a subsidiary of 1234 UK plc and is currently advising the Trustees in connection with an actuarial valuation which is underway. She received a call from a non-actuarial colleague in another office of her firm who told her “off the record” that the firm had been short-listed in a tender for a major project with 1234 UK plc. When presenting their tender to the FD of 1234 UK plc, the FD had said he was “keeping an eye” on the funding negotiations taking place at the subsidiary and “hoped that the outcome would be satisfactory”. Her colleague had revealed that the potential income to the firm if it was successful in the tender was many times greater than that generated by her work for the Trustees.

Melissa had responded that, quite frankly, the fact that the firm was tendering for a lucrative contract would have no impact on her advice to her client, and that she thought his “off the record” approach to her was unprofessional. However, the call had unsettled Melissa, and she wanted to discuss with Archie the implications and the action she should take.

Archie commends Melissa on her stance, but gently reminds her that paragraph 3.1 of the Actuaries' Code requires that not only must an actuary be able to give objective advice, but there should also be no appearance that the actuary's advice might be compromised. The conversation that the FD of 1234 UK plc had with her colleague, and the subsequent call Melissa had received from her colleague raised a number of questions about impartiality. For example:

- Did the FD of 1234 UK plc understand the role of the actuary in relation to the Trustees and the professional standards that apply to actuaries?
- Was there an issue with Melissa's firm in the way it operated generally, in its understanding of the roles of the actuaries it employed, and its awareness of the Actuaries' Code?
- Although the conversations were oblique and “off the record”, the implications had been fairly clear and Melissa would have to think about what she should say to her principal client (the Trustees of the pension scheme).
- Paragraph 3.3 of the Actuaries' Code requires an actuary to take reasonable steps to make himself or herself aware of any relevant interest his or her firm might have. Internal procedures at Melissa's firm might have broken down in this regard.

Archie suggested to Melissa that she needed to address all of these issues both in relation to the specifics of the situation that had arisen, and more generally to ensure that there was better communication of the Actuaries' Code within her firm, and better procedures in place to identify and deal with future potential conflicts.

Fortunately for Melissa (and for her firm) the situation was retrievable and by addressing the above issues, procedures were established so that Melissa and her firm could continue to act for the Trustees and tender for the project.

SECTION 3 OF THE ACTUARIES' CODE

- 3.1 Members will ensure that their ability to provide objective advice to their clients is not, and cannot reasonably be seen to be, compromised.
- 3.2 A conflict of interests arises if a member's duty to act in the best interests of any client conflicts with:
 - (a) the member's own interests, or
 - (b) the interests of the member's firm, or
 - (c) the interests of other clients.
- 3.3 Members will take reasonable steps to ensure that they are aware of any relevant interest, including income, of their firm.
- 3.4 Members will disqualify themselves from acting where there is a conflict of interest that cannot be reconciled.
- 3.5 Members will document the steps they have taken to reconcile a conflict and will agree those steps with their clients if they would be ineffective without agreement.
- 3.6 Before accepting any assignment, members will consider carefully whether they should consult with any member who previously held such a position with the client, to establish whether there might be any professional reason why the assignment should be declined.