



Institute  
and Faculty  
of Actuaries

# Professionalism Resource Material

Identifying and tackling ethical dilemmas in  
pensions

Presentation by James Dempsey, University  
of Leeds, at the Pensions Conference in 2012

## D2: Identifying and tackling ethical dilemmas in pensions

**Speaker: James Dempsey**  
University of Leeds



**Chair: Matt Johnson**

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# Questions & Challenges

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- What is 'ethics' and is it relevant to me / my job?
- Isn't ethics common sense? / Isn't ethics just a matter of opinion?
- Why should I be ethical?
  - It's the right thing to do?
  - It's good for business?
  - It's my duty as a professional?
- What is a profession / professionalism?
- What is the relation between 'ethics', values / principles, and codes of conduct?
- Whose job is it to think about ethics?

# Approaches to Professional Ethics

## Rules of Conduct

**Pros:** practical, provides clear guidance  
**Cons:** prescriptive, alienating, unjustified

Reasoning about ethical issues (identifying, analysing, responding)

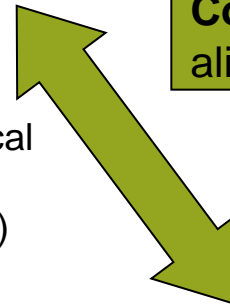
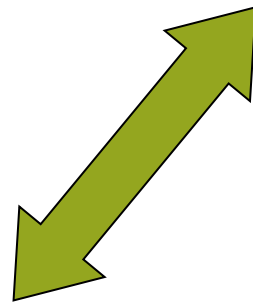
Development of good judgment and decision making ability.

## Case Studies

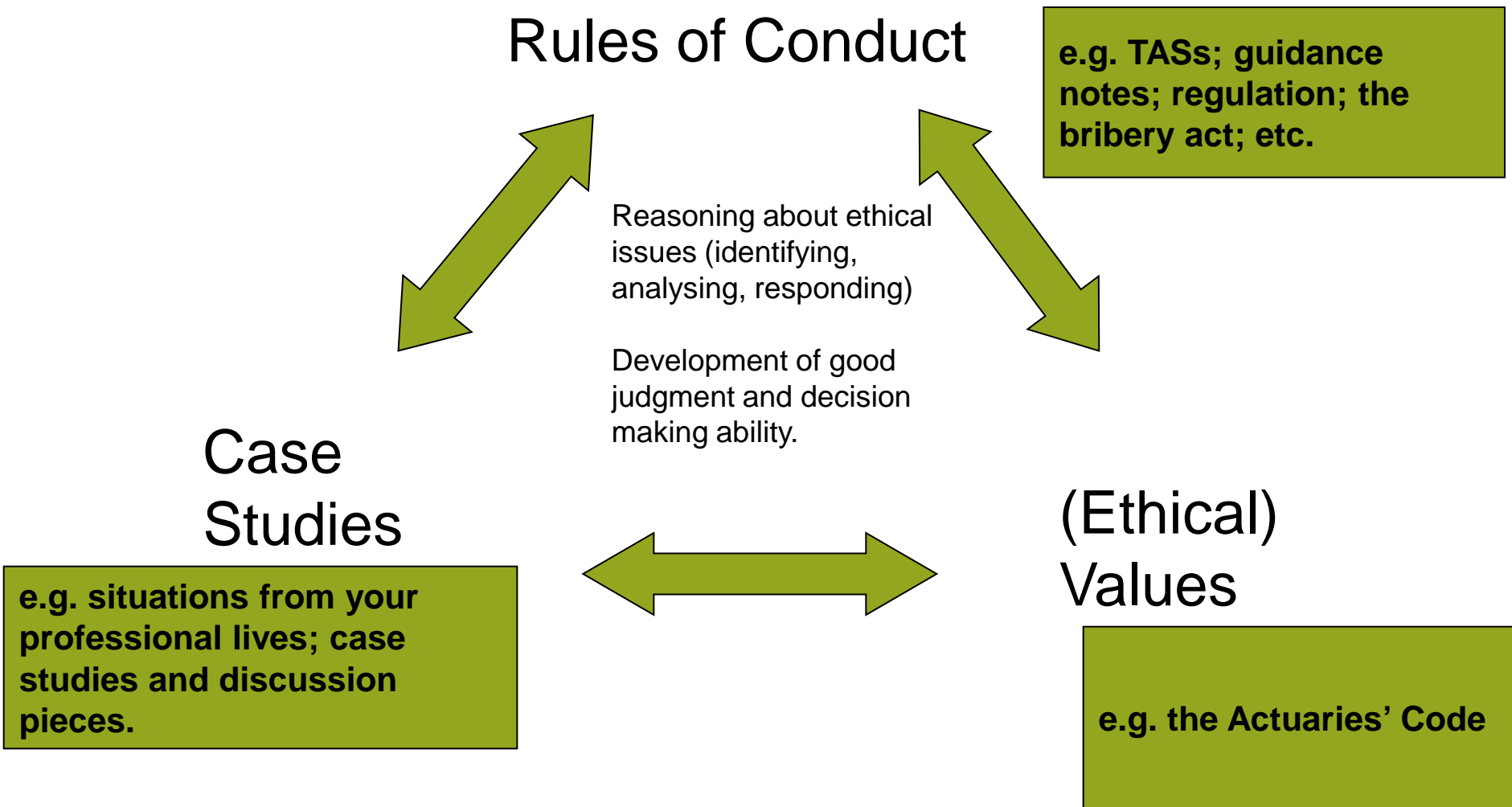
**Pros:** practical, relevant  
**Cons:** lacking clear ethical guidance or structure

## (Ethical) Values

**Pros:** positive, inclusive, action guiding  
**Cons:** abstract removed from practice



# Approaches to Professional Ethics



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# The Actuaries' Code

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1. **Integrity:** Members will act honestly and with the highest standards of integrity.
2. **Competence and Care:** Members will perform their professional duties competently and with care.
3. **Impartiality:** Members will not allow bias, conflict of interest, or the undue influence of others to override their professional judgement.
4. **Compliance:** Members will comply with all relevant legal, regulatory and professional requirements, take reasonable steps to ensure they are not placed in a position where they are unable to comply, and will challenge non-compliance by others.
5. **Open Communication:** Members will communicate effectively and meet all applicable reporting standards.

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## Case Study 1 – A Pensions Increase Exchange Exercise (PIE)

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- You have been asked to advise the board of directors of company X on a PIE
- It becomes clear to you in the course of your discussions with the board that:
  - Their main success criteria for the exercise are short term risk and cost reduction
  - They intend to undertake an aggressive programme of communication to ensure the highest possible take up by retired members
- You are concerned by this strategy, and offer to help develop the communications to ensure their accuracy and transparency, an offer which is declined

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## Case Study 1 – A Pensions Increase Exchange Exercise (PIE)

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1. Which different parties stand to be affected by the result of this exercise?
2. What duties do you have in this situation under the Actuaries' Code? (and to whom, if anyone, are they owed?)
3. Does thinking through this scenario cause you to question any part of the Actuaries' Code? If so, which part?



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# Case Study 2 – Bribery?

*This scenario is courtesy of Michael Twomey*

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- You are an actuary in Benton Brown LLP.
- Predator PLC (“Predator”) is proposing to acquire from Norbury Holdings plc (“Holdings”) the entire share capital of Norbury & Newton Electronics plc (“N&N”).
- N&N has a defined benefit pension scheme in place.
- Predator wishes to obtain an actuarial valuation of the scheme and the parties have agreed that N&N will pay for the valuation.
- The CEO of Holdings has contacted the client partner for Holdings at your firm (a golfing friend) and has offered a bonus of 25% above your normal fees if you “put the right people on the job”.
- You have been asked to allocate suitable people to the valuation.

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## Case Study 2 – Bribery?

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1. What sections of the Actuaries' Code are relevant to this case?
2. How should you act in this situation?
3. In situations where you are already confident of the correct course of action, is the Actuaries' Code unnecessary?