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Update on Conflicts of Interest and the Actuaries' Code

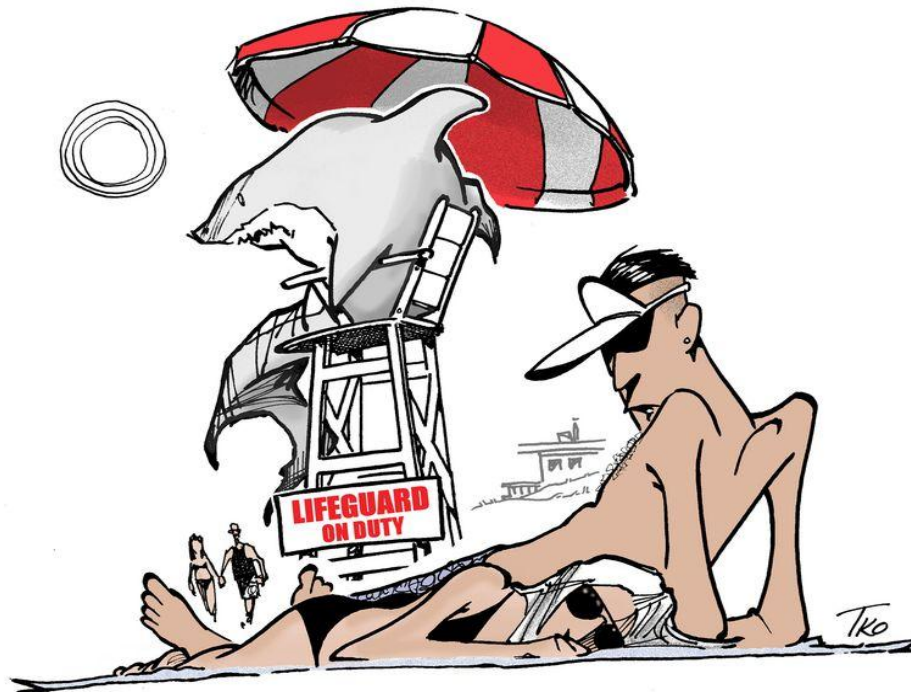
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Introduction

- Conflicts
- Conflicts case study
- Brief update on the Actuaries' Code v2.0
- Regulatory horizon scanning



Conflicts of Interest



*“So, I’m the only one who sees a
conflict of interest here?”*

From: <http://funologist.org/2013/10/03/october-is-conflict-of-interest/>



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Conflicts of interest

- Professionals occupy a privileged position of trust
- This brings obligations to act impartially and in the public interest
- Recognised in Principle 3 of the Actuaries' Code

“Members will not allow bias, conflict of interest or the undue influence of others to override their professional judgement.”



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Conflicts of interest

- New package of conflicts of interest provisions published from June 2012:
 - standards in the Life (APS L1) and Pensions (APS P1) areas
 - Guide for all actuaries
 - Note for pension scheme trustees
 - New guide for employers on conflicts
 - Real life case studies, mock questions and answers and slide shows/videos
 - Underpinned by new CPD and professional skills training provision

Conflicts of interest: APS P1

- Definitions: new definitions relating to conflicts
- Paragraph 5.1: actuaries must comply with Principle 3 of the Code, including the requirement to disqualify themselves in the event of an irreconcilable conflict of interest.
- Paragraph 5.2: provides for the *disclosure* by the Scheme Actuary of the potential for conflicts arising from the fact that he/she or other persons in (or on behalf of) his/her firm are involved in advising the sponsoring employer.
- Paragraph 5.3: “rebuttable presumption” that an *irreconcilable conflict* of interest arises if a Scheme Actuary provides advice to the employer and the trustees of that scheme, where the advice relates to the funding of the scheme or has a direct bearing on benefits payable under that scheme.



Conflicts of interest: APS P1

- Paragraph 5.4: criteria on which very limited exceptions to the presumption (5.3) are to be assessed, e.g. in circumstances where the scheme rules require the Scheme Actuary to act for both the employer and the trustees.
- Paragraph 5.5: Scheme Actuaries must (a) record reasons for decisions to depart from the presumption and (b) be able to justify such a departure.
- Paragraph 5.6: Scheme Actuaries must ensure that an appropriate written conflicts management plan is agreed.
- Paragraph 5.6.5 : The Scheme Actuary must be reasonably satisfied that the trustees, in agreeing to the plan, are appropriately informed as to its implications.



Conflicts of interest: APS P1

- Paragraph 6.4: extends the principles in 5.1, 5.2 and 5.6 to members who, although not acting on behalf of the Scheme Actuary's firm, are directly responsible for the provision or review of client advice to the trustees.
- Paragraphs 6.5 to 6.7: extend to certain other members, a provision similar to the 'irreconcilable conflict' presumption.
- Paragraph 6.8: extends the principles applicable to members advising Scheme Actuary schemes under sections 5 and 6, to those directly responsible for the provision or review of advice on other sorts of scheme (including public sector and overseas schemes).



Conflicts of interest: P1

- New information gathering exercise for Scheme Actuaries on APS P1 from 2014
- In order to understand and assess how the new conflicts provisions are working in practice
- Will be undertaken through the PC renewals process



Conflicts case study

- You will already have had the opportunity to read a pensions case study along with some accompanying questions
- You will now have the chance to discuss your proposed answers to the case study with your group for 15 minutes
- Each table should elect a chair who will speak on their behalf
- The Panel will then ask questions and facilitate a discussion regarding those answers

Actuaries' Code update

- Version 2.0 in force from 1 October 2013
- Light touch review
- More substantial review scheduled for 2015
- Minor changes
- Tidying up of the Code



Actuaries' Code update

- Made changes to reflect the merger and emphasise the principles-based approach
- Extended the code to cover all members (including Honorary Fellows)
- Introduced a requirement to disclose in writing to clients the steps taken to reconcile an actual or reasonably foreseeable conflict of interest - *paragraph 3.4*
- Introduced a requirement that members show clearly that they take responsibility for their findings – *paragraph 5.2*



Regulatory Horizon Scanning

- Quality Assurance Scheme (APS Q1)
- Standards Framework Review by IFoA and TAS review by FRC
- Cross practice standard on peer review (APS X2)
- Updated APS P2 followed by a substantive review
- Quality Assurance Scheme (APS Q1)
- Standard for actuaries instructed as an expert in legal proceedings (APS X3)
- Application of standards (APS X1)



Questions

Comments



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