



QUANTIFYING RISK, ENABLING OPPORTUNITY

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Professionalism

The words profession, professional, professionalism, come from the root word in Latin “*professio*”, which means a public declaration with the force of a promise. The profession promises the public to deliver something to society.

What is this promise? And why should people believe us?

If Ron Burgundy Says It...



**IT'S THE
TRUTH!**

Agenda

- The Code
- Disciplinary Process
- Professionalism Tests
- Case Studies

The Code

HONOR YOURSELF

HONOR

THE CODE

INTEGRITY • RESPECT • RESPONSIBILITY

The Code

- Applies to all members
- Replaces PCS
- Effective 1 July 2012
- Main Professionalism Document
 - Everyone should read it
 - Developing Auxiliary Guidance eg Peer Review, Whistle-blowing

Who of you have read the Code?

1. Yes, I have read it
2. No, I have not read it

The Code

- Built on the IAA 3-strand professional promise
 - The application of specialist and up-to-date actuarial knowledge and expertise
 - The demonstration of ethical behaviour, especially in doing actuarial work
 - The member's accountability to the Society for professional oversight

The Code

- Principles of Professional Conduct
 - Knowledge And Expertise
 - Values And Ethical Behaviour
 - Professional Accountability

Disciplinary Process

**You Lack
Discipline!**



Disciplinary Process

- Complaint is lodged (consequences if you don't lodge a complaint)
- Referred to disciplinary committee
- Defendant contacted
- Investigator(s) appointed
- Outcomes
 - Frivolous – complaint dismissed
 - Admission of guilt
 - Tribunal

Professionalism Tests

THIS IS NOT THE WEATHER FORECAST...

THE
Sun

NEXT

SUNDAY

**ANOTHER SUN
EXCLUSIVE**

By **MARTIN PHILLIPS**

THE Sun on Sunday has arrived.

Next weekend will see the birth of the first ever Sunday edition of your favourite paper.

Rupert Murdoch announced last week that **The Sun on Sunday** would be coming "very soon". Now that momentous new dawn is here.

Full Story - Page Seven

Tests

1. The Front Page Test/Tabloid Test
2. The Golden Rule
3. The Fairness Test
4. The 'What if everybody did this?' Test
5. The Truth Test
6. The Parents Test
6. The Children Test
7. The Religion Test
8. The Conscience Test
9. The Consequences Test

Tests

Ask the RIGHT questions:

- Rules
- Integrity
- Good
- Harm
- Truth

Gauging the Audience



**“I don't know how to put this
but I'm kind of a big deal.”**

- Ron Burgundy

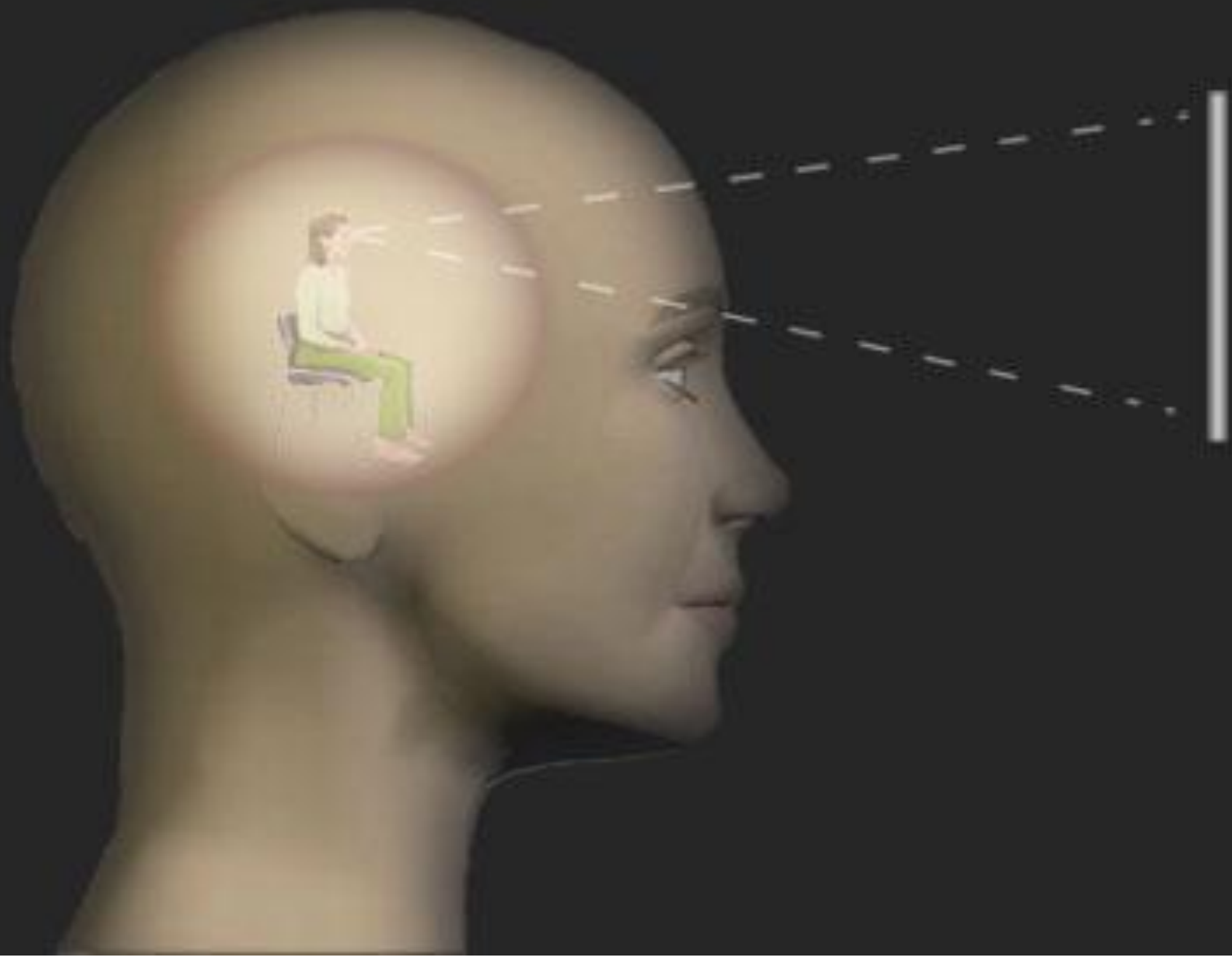
You are pitching for a new client but your experience is lacking in one area. You are truthful because...

1. Honesty is an important principle for me
2. It would be fraud and I could be fired if found out later
3. I won't be truthful – I'll rather just "wing it"

Over the last 12 months, to what extent have you considered speaking up or reporting a complaint?

1. I have not had to consider either speaking up or reporting a complaint
2. I considered formally either speaking up or reporting a complaint but chose to do nothing
3. I have spoken up, or I made a record of my reasons for not speaking up

Case Studies



Case Study #1

- Tom is a senior actuary at PensionConsult
- PensionConsult provides admin as well valuation services to a fund
- During the valuation Tom realises the following
 - PensionConsult has made member fund credit admin errors
 - Incorrect allocation of member choice
 - Amounts to a significant amount
- Tom takes this very seriously and considers what to do

What would you do in Tom's position?

1. Nothing – the issue belongs to clients and their auditors
2. Speak up internally – don't involve the client at all
3. Speak up internally – don't involve the client until resolved
4. Speak up to the client before raising this internally
5. Whistle-blow to the FSB and the Profession

What would you do if you were an external consulting actuary who discovered the errors?

1. Nothing – the issue belongs to clients and their auditors
2. Speak up to the administrator – don't involve the client at all
3. Speak up to the administrator – don't involve the client until resolved
4. Speak up to the client before raising this with the administrator
5. Whistle-blow to the FSB and the Profession

Case Study #2

- You are a consulting actuary to ABC industries
- The CEO of ABC industries used to be a pension fund valuator
- You are appointed to do the IAS19 valuation
- The CEO prescribes a set of assumption for you to use to get the liability as low as possible since the firm is in financial difficulty with possible job losses
- You are not comfortable and discuss it with him, but you also don't want to take food off the employees table
- IAS19 states that management is responsible for assumptions
- He gives you an ultimatum - you do the valuation on his basis or you are fired

What should you do?

1. Complete the valuation on the CEO's basis
2. Tell the CEO you will use his basis, but then you use your own
3. Tell the CEO to find another actuary he can dictate to
4. Whistleblow – to who?
5. A better, cunning plan...

Case Study #3

- You are the consulting actuary to the XYZ Inc Fund
- This is a DB fund and you need to do the individual benefit calculation when someone exits the fund
- As part of your annual valuation you pick up an error
- You made a mistake on a calculation for a senior executive who exited
- This leads to a R5million actuarial loss in your analysis of surplus
- Your firm does not have PI cover
- Retired executive now lives in the Bahamas and used a lot of his retirement savings to buy a villa there

What do you do?

1. Nothing – use actuarial gymnastics to fake the actuarial loss figure components
2. Nothing – put the loss under miscellaneous items
3. Speak up – inform the company of the mistake and face the consequences
4. Resign from your company with immediate effect and flee
5. Another cunning plan...

Case Study #4

- You are a valuator to a large DC scheme
 - The board of trustees consists mostly out of lay people
 - The chair of the board is also the CEO of the company and a very dominant person
 - The chair usually calls the shots and the other trustees do not want to challenge him
 - The CEO's cousin started an asset management company
 - He's pitching for business and the CEO decided to give him a large portion of the assets
 - You are not comfortable with this since the company does not have a track-record or a well-known management team
 - The trustees voted in favour of this
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What do you do?

1. You accept the Trustees decision and keep quiet
2. You discuss this with the CEO after the meeting
3. You whistleblow to the FSB
4. You make quite a scene in the meeting and run the risk of being fired
5. Another cunning plan...

Lessons Learnt

“A smart man learns from his mistakes, a wise man learns from the mistakes of others and a fool never learns”

Lessons Learnt from Case Studies

- Often is not black and white
 - Always take notes of your decisions and the reasoning behind those decisions on how you have applied the principles of the Code
 - This is necessary because professional standards will inevitably evolve over time, and your decisions will be judged with the benefit of hindsight
 - The process is important –consider everything that should be considered, ignore everything that should be ignored
 - Become a savvy actuary –learn about wider governance
 - Know the Profession’s governance framework
 - Avoid “misconduct complaint” traps
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I'm not arrogant. I'm just better than you.



**Apply the Code's Principles,
use the Professionalism Tests
and learn from past Mistakes!**

Thank You

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Sources

- James Lam
- Tony Hewit
- Roger Steare
- Michel Fortin