

# Conflicts of Interests for Pension Scheme Actuaries A Practical Approach

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Society of Actuaries in Ireland - Pensions Forum - 10 November 2008



# Update from APLI Meeting

- Joint Meeting with APLI in May
- Recommendations
  - Identify Potential Conflicts of Interests
  - Manage them with written plan
  - New ASP on Conflicts of interests
- Work progressed well
- Moving from theory to practice



# Overview of Presentation

- Current Contents of the Draft ASP
- The Practical Application of the ASP
- The Future
- Questions & Answers



# Does the ASP apply to me?

- Actuarial advice or actuarial services in relation to an occupational pension scheme
- Actuarial advice or actuarial services not defined
- Up to the individual actuary to decide



# Important Definitions

- **Potential Conflict of interests**
- *“an actuary holds appointments under which he or she has duties to provide actuarial advice or actuarial services to two or more clients in relation to the same or related matters and there is a risk that a material conflict might foreseeably arise between the interests of the clients in relation to those matters.”*
- **Actual Conflict of interests**
- *“Where a material conflict actually exists between the interests of the clients in relation to those matters.”*



# Main Requirements of ASP

- Check own + firm's appointments
- Protocol required where potential/actual conflict of interests exists
- In place with each client at commencement
- Always when advising Trustees & Employer in relation to the same scheme



# The Protocol

- Names of Clients & Actuaries involved
- Details of what each appointment relates to
- Restrictions on advice due to potential/actual conflict
- Confidential Information
- Actions in foreseeable & unforeseeable circumstances
- Regular Review
- Can supplement these minimum requirements



# Protocol Vs Terms of Appointment

- Protocol fits on top of terms of appointment
- Terms of Appointment
  - individually agreed
  - general in nature
- Protocol
  - specific to conflicts of interests
  - mechanism for managing them
- ASP will not cover Terms of Appointment
- Protocol +Terms of Appointment-complementary





# Actual Conflict Actions for you?

- Specific safeguards to deploy
- Disclosure (written) of Actual Conflict to clients
- Actuary considers position
- Written consent from each client before continuing
- May wish/need to modify/suspend/cease depending on outcome of the exercise
- Write to confirm nature of modification to all clients involved



# Modify/Suspend/Cease?

- Possibilities
- Continue + Change the scope
- Resign one appointment entirely
- New actuary takes over
- Precautions where new actuary from your own firm



# Principles Vs Rules

## The Options

- Debate on Balance of Principles & Rules
- Options
  1. Principles based ASP + Rules in CPD
  2. Principles + Rules in ASP
  3. Principles in ASP + Rules/Advice in non binding document



# Principles Vs Rules

## The Debate

- Initially favoured Option 2
  - Combine Principles & Rules into ASP
- Difficult to develop Rules for specific scenarios
- Each individual situation = unique
- Now leaning towards Option 3
  - ASP with principles
  - Advice note with further detail
- Document encompassing the collective wisdom of Society on Conflicts



# Practical Application Funding Proposal

- Advising Trustees + Employer
- Protocol in place + Actual Conflict Arises
- ASP requirements
- Disclose the Actual Conflict of Interests
- Consider your own position—Act for both or not?
- Options
  - Continue with consent & modification
  - Suspend or Resign



# Practical Application Consequences

- Suspend/Cease
- Two possibilities
  - You are not happy to continue
  - One or both clients will not consent
- Decisions for the actuary
- Resign + another actuary gets involved
- Implications of this



# Looking Forward

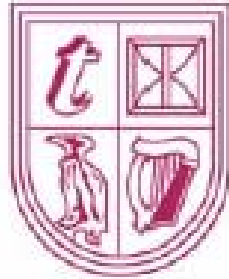
- Work in progress
- Consultation early next year
- Transitional Arrangements – 6 months
- Actions
  - Terms of appointment – revisit them now!
  - Test existing book
  - Establish your protocols
- Get your advance preparation in now!



# Questions & Answers

- More feedback, the better the guidance will be.





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