

## Affordable Virtue Ethics for Pension Professionals

**F THE 1980S BECAME KNOWN** as the Decade of Greed, the 1990s could be called the Decade of Ethics.

Many traditional professions and large corporations began efforts to promote business ethics. The Chicago Board of Trade required all futures traders to take ethics class. The actuarial profession created a unified body, the Actuarial Board for Counseling and Discipline (ABCD), for the purposes of investigating, counseling, and recommending disciplinary action to the constituent organizations. ASPPA (then known as ASPA) adopted a new code of conduct for its actuaries, which closely followed the recommendations of the Joint Committee on the Uniform Code of Conduct. Further, ASPPA provided a Code of Conduct for non-actuaries as well.

The creation of the ABCD ushered in a true opportunity to improve the ethics of our professionals. The opportunity will be wasted if the creation of the ABCD and codes of conduct are the extent of the effort by our profession. Not only do we, as individual actuaries, have to meet minimums of professional ethics but we must also strive, as individuals, to do better. We must strive as a group to do better as well.

Correct ethical behavior can sometimes be difficult to define, precisely because it's not a priori. According to Aristotle, there are two kinds of virtue, intellectual and moral. Intellectual virtue owes both its beginning and its growth chiefly to instruction and, for this reason, needs time and experience. Moral goodness is the result of habit. There is no natural moral nature. We must be taught our profession. We must learn and practice ethics. Attending an hour class on professional conduct isn't going to make an actuary ethical without a day-in day-out career of working ethically.

How do we become more ethical in our profession?

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There are many generalities available as guides. Aristotle himself had three rules. First, avoid the extreme that is farthest from the “correct” position, the mean, since the moral mean is usually closer to one position than the other. Second, notice the particular natural tendencies into which we ourselves are likely to fall; everyone has his own weakness. Third, in judging a situation, we must guard especially against pleasure and pleasant things, because we aren't impartial judges of pleasure.

Unfortunately, Aristotle's rules are difficult for any individual to always apply to professional ethics precisely because of rule No. 3: It's impossible for one to always be the correct judge of oneself. The worst

criminals frequently believe that they're not evil but are only doing what's necessary to survive. When Alfred P. Doolittle is asked in Shaw's *Pygmalion*, “Have you no morals, man?” he replies, “Can't afford them, Governor.” An unbridled marketplace can put sufficient pressure on an individual to lead him to such rationalizations. Therefore, the individual sometimes needs help.

Extremes of behavior can usually be checked if coerced with sufficient high authority and low force. Indeed, in my opinion, there have been chronic problems within the profession that prove that without discipline of some sort being administered, virtue quickly becomes unaffordable.

The ABCD certainly has the legitimacy to provide significant assistance in enforcing professional ethics. Due to lack of resources and fear of lawsuits, it will only be able to recommend action against the extremes, when the unethical behavior is very clear.

I believe that's for the best. It will keep the ABCD from going too far and becoming a new Inquisition. The best judge and jury of our day-in-and-day-out ethical behavior is our own peer group. In those instances where our individual sense of ethics fails us, our peer group can help us find the mean or least help us to avoid the wrong extreme.

It's possible to have too insular a peer group. It's possible for the members of a small group to convince themselves that their pleasure is the good of all. This can easily happen when professionals of one employer don't sufficiently mingle with those of other employers and engage in unethical, cut-throat competition. It can happen when professionals in one geographic area don't communicate sufficiently with professionals nationwide and go off on a peculiar tangent. (National computer discussion groups, such as those sponsored by Benefitslink, ASPPA, PIX, and COPA, can help geographically diverse actuaries communicate.)

I find the most useful peer group to be a study group consisting of pension professionals from competing firms. The primary focus of such groups is always to discuss technical topics and new developments. However, membership in any

group for a time involves the learning of what behavior is ethical and acceptable and what is not.

The most common way to learn is through dialectic, or logical discussion, such as "bouncing" ideas off of others. "Is this a reasonable funding method?" "Would you sign the Schedule B under these circumstances?" "Do I have to provide information to my former client's new actuary when there is an outstanding bill?" A discussion with the other members of the study group can save an actuary from having to make a solitary decision and, perhaps, a poor decision.

Even if every pension professional were in a study group, not all of them would always engage in ethical behavior. It's necessary to enforce a code of ethics—and it's not always easy. The legal profession has had not only a code of ethics but also an enforcement mechanism for a very long

time, but it's not always perceived by the public as an ethical profession.

Our task is of three parts. First, the ABCD must recommend to the constituent organizations that the extremes should be disciplined. Second, through peer pressure, we must group ourselves closer to the ethical mean, which will help the ABCD to find the extremes. And third, we must want to practice our profession ethically as individuals so that we have the necessary legitimacy to advise our peers.

None of this will happen through osmosis by holding this article. The nitty-gritty and sometimes slippery details of everyday ethical choices must be discussed at all three levels: with the ABCD, with professional groups, and with the man or woman in the mirror. There will be times when we disagree, but the dialectic in which we engage will make us a better, more ethical profession, one worthy of public trust. ●

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