

New Kid on the Block

IN MY PROFESSIONAL LIFE, I've had the good fortune to be guided by intelligent and compassionate mentors. They all had one trait in common that I truly admired: their commitment to give back to the profession. Last year, I was asked if I would serve on the Actuarial Board for Counseling and Discipline (ABCD). I wasn't sure what that assignment would entail, but I concluded that volunteering for the ABCD would provide me a chance to give back to the profession as others have done before me. I attended my first meeting a year ago in December.

The ABCD consists of eight very knowledgeable actuaries from the various actuarial disciplines, and me, a pension actuary. The ABCD is charged with encouraging and enforcing adherence to the Code of Professional Conduct. When an issue before the ABCD is outside my specialty, I research the subject and rely on the experience of those members of the ABCD who practice in that area. I enjoy expanding my horizons and look forward to learning more about the non-pension side of the actuarial profession.

While the ABCD reviews allegations that actuaries may have materially violated the Code, it also offers actuaries something that I consider just as important: the opportunity to seek informal guidance from

ABCD members on questions that they have or on how the Code, the actuarial standards of practice (ASOPs), or Qualification Standards apply to their work.

When the ABCD receives a complaint that an actuary may have violated the Code, it follows the rules of procedure that are published on the ABCD website, <http://www.abcdboard.org/publications/rules.asp>. These procedures are intended to provide actuaries with a process that's transparent yet remains confidential. Confidentiality is crucial. If a complaint lodged against an actuary is made public, he or she may suffer irreparable harm regardless of the final disposition of the case. If you read through the rules of procedures, you will see that an actuary who is accused of a

material violation of the Code is given several opportunities by the ABCD to respond to those allegations. In the cases on which the ABCD has deliberated, I saw other board members search in depth through the evidence to determine if it supported the allegations.

When an accusation is made and it appears the actuary may have materially violated the Code, the ABCD will review the allegations, a report by an independent investigatory actuary, and the subject actuary's responses. In some cases, the ABCD has discovered that an actuary failed to follow the Qualification Standards' continuing education (CE) requirements, which set forth the minimum number of CE hours an actuary must receive to be considered qualified. An actuary who doesn't follow the CE requirements may have violated Precept 2 of the Code. As a pension actuary, I couldn't keep up with the changes in my world if I limited my CE credits to the 30 qualifying hours each year. It surprises me to see actuaries failing this requirement.

In other cases, the ABCD has discovered actuaries who didn't follow applicable ASOPs, as required by Precept 3 of the Code. The Actuarial Standards Board (ASB) is constantly reviewing standards to keep pace with a changing world. Since December 2010, most of the standards have been revised. The reason for continuously updating standards is the dynamic nature of the environment in which actuaries work.

If you haven't read a standard in a while, you might not realize that it has been revised—or that your work might not be in accordance with the revision (possibly violating Precept 3 and Precept 4 of the Code).

Enlightened Self-Interest

An actuary must exercise enlightened self-interest. I've yet to meet a perfect actuary. If an actuary's work is reviewed by others



and a mistake is found, the first question that will be asked is whether he or she followed applicable standards of practice. If the actuary is found not to have complied with the standards, his or her problems are automatically compounded.

In the past few years, the national news media have featured articles on pension actuarial practice. Many involve public retirement systems and their impact on the financial viability of certain municipalities. As actuaries, we cannot force our clients to fund retirement plans. But we can, and should, provide the best, independent, and truthful advice to our principals. When actuaries are publicly associated with problems, the profession must respond in some manner. Revising standards to require more complete disclosures may be one such change.

If the ABCD finds that an actuary didn't follow the Code, the Qualification Standards, or an ASOP, it must then determine whether that violation was a material

violation of the Code. In cases in which the ABCD has concluded that an actuary materially violated the Code, members of the ABCD go to great effort to determine the appropriate level of discipline. They look for mitigating circumstances as well as conditions that may have aggravated the infraction and balance these factors in their deliberations. Ultimately, the ABCD may remand the case back for further investigation, dismiss the matter, privately counsel the actuary, or recommend that the Joint Disciplinary Council consider him or her for private or public reprimand, suspension, or expulsion.

If the ABCD finds that an actuary has materially violated the Code but finds there were mitigating factors, the ABCD may decide to privately counsel the actuary for the violation. However, if the same actuary later appears before the ABCD with a similar problem within 20 years of the private counseling, the board may conclude another private counseling

session would be fruitless and recommend a higher level of discipline to the Joint Disciplinary Council.

Many actuaries believe the ABCD serves as the profession's cops—a group to be avoided at all costs. My experience has been that the ABCD exists to help actuaries. Previous Up to Code articles have mentioned the opportunity for actuaries to talk with members of the ABCD on various questions, including ethical issues not addressed by either the standards or the Code. These informal conversations are kept confidential within the ABCD. When you're faced with a difficult problem, consider asking for guidance from the ABCD. It may be your best resource. □

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