The Actuarial Profession
making financial sense of the future

Conflicts of Interest

Gordon Sharp
Chairman, Pensions Board

The Morris Review

- pension fund trustees, the scheme sponsor and the Scheme Actuary should explicitly agree that they perceive no material conflicts of interest prior to the Scheme Actuary advising both the trustees and the scheme sponsor;
- if any of the three parties, i.e. any one of the trustees, the Scheme Actuary or the scheme sponsor, deem at any point that a material conflict of interest has emerged, in relation to the same actuarial advisor advising both parties, then the trustees should have the option to retain the existing adviser and the sponsor should secure separate actuarial advice; and
- the Profession, or another appropriate body, should develop guidance for actuaries on the issues that they should take into account when considering the materiality of potential conflicts.

Professional Oversight Board

- December 2006:
- We urge the Profession to progress its work on conflicts of interest as a priority …

The Actuaries Code (ED1)

- **Conflicts**
- Actuaries take reasonable steps to avoid conflicts of interest. Where conflicts do arise they manage these in a professional manner including the disclosure of those conflicts to all affected clients, or, if appropriate, their employer.

AP Standard - Conflicts (ED6)

- A member must not knowingly enter into any transaction or engagement that is likely to result in a conflict in interest, unless it is treated as a conflict situation and managed accordingly throughout.
- A member must take reasonable steps to avoid the creation of a real or perceived conflict of interest with any client.
- Where a conflict of interest arises, a member must put in place a satisfactory conflict management plan.

Conflict management plans

- A member:
- must obtain informed and clear consent to a conflict management plan
- must disclose sufficient information about a conflict to ensure a consenting party to the conflict management plan is able to give informed and clear consent.

Conflict management plans

- A conflict management plan must indicate the permitted gateways for the use and transmission of information, and the limitations on such use and transmission of information.
- A conflict management plan must contain sufficient detail to indicate how situations reasonably expected to arise will be managed, and what steps will be taken when unexpected events occur.

Conflicts of Interest - Pensions

- A member must not hold a dual appointment unless a conflict management plan has been drawn up and agreed with each client covering the extent to which the member's duties to each client are restricted or unrestricted by reference to the other client

- A Scheme Actuary appointment must not be restricted by reference to the other client in a dual appointment.

Conflicts of Interest - Pensions

- Dual appointments must not be entered into, or if entered into must be appropriately modified, suspended or ceased, if there is an actual conflict

Conflicts of Interest - Pensions

- If a member holds or is invited to accept an appointment he or she must take all reasonable steps to establish with the member’s firm whether the member’s firm provides any services to another client which mean that a firm’s dual appointment exists or will exist if the appointment is taken on.