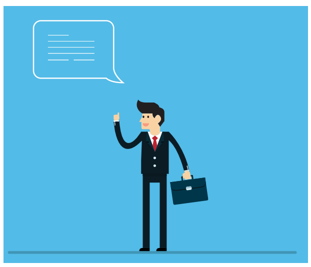
Professional advisers – an endangered species?

Technological solutions and cost pressures may be reducing the use of professional advisers by pension schemes, Ben Kemp says, but they still have a vital role to play



Being a professional was once, apparently, a guarantee of status and security. Given the right opportunities, a reasonable aptitude for hard work and a suitable apprenticeship in a reputable organisation, a young trainee lawyer, accountant, banker or actuary would have the considerable reassurance of a reliable income, coupled with societal esteem. Not any more, or so it seems. The professions are under threat and no more so perhaps than in the pensions sector. The financial crisis has heightened scepticism and distrust. Cost pressures have driven more aggressive competition in a space previously occupied by the traditional professional advisers. Such pressure now also comes in the form of more sophisticated computerised modelling packages and other technological solutions. A competitive market place is of course a good thing, and the increased cost of employing regulated professional advisers may seem an unnecessary luxury.

So let us not bemoan too much the plight of the traditional professional adviser, recognising that they too must adapt to the challenges and environment of the modern world. But equally, let us not dismiss too quickly the value and importance of employing a properly regulated professional adviser. This not least in the context of a pensions industry that is experiencing greater pressure and fragility than ever before, yet has never been so critical to the public interest.

The traditional model of professional advice may be under threat, but those values and principles of professionalism to which actuaries, like other professionals, are held, continue to endure. There has been a depressingly growing list of 'scandals' in the financial services sector. These are testament to the fact that technical competence alone, whilst clearly critical, is not sufficient to safeguard the interests of scheme members and policyholders. Regulated professionals have overarching duties to act with the utmost integrity, in the best interests of their clients and to speak out where appropriate and necessary to protect those interests. Experience also tells us that more regulation is not a panacea to resolve current challenges in the financial services sector. Regulation is important, both in supporting professionals and reinforcing appropriate standards of competence and professionalism. But regulation must not over burden professional advisers, as it ultimately increases costs for their clients, nor must it unduly restrict the proper exercise of professional judgement. Maintaining the ability of experts to assess the appropriate approach specific to individual circumstances is vital.

The 2008 financial crisis and recent scandals point to the ongoing importance of professionalism. Witness for example the very positive recent work of the Banking Standards Board to establish and promote high standards of behaviour and competence across the UK banking sector. Moreover, while there may be increase in general distrust and scepticism, confidence in individual professionals appears to remain high and a key part of the relationship with those who rely on their advice and guidance.

All of this of course calls for a joined up approach in recognising and promoting the importance of professionalism to our financial services sector. Professional bodies and regulators need to find new ways to recognise and uphold, proportionately, the importance of culture, ethical judgements and insight. At the same time, we must be prepared to stand up and speak out where we observe conflicts that undermine the interests of pension scheme members, policyholders and the public at large.

At the Institute and Faculty of Actuaries, we have recently launched a new accreditation scheme to recognise professional excellence amongst employers of actuaries. Some 25 per cent of UK actuaries, including 85 per cent of UK statutory pension scheme actuaries, now work for a Quality Assurance Scheme (QAS) accredited organisation. To find out more about our work to promote professionalism in the financial services industry, you can join us at one of our Professionalism Lecture Series 2017 events. It is an established fact that conflicts of interest become more pronounced at times of crisis. We must learn the lessons of the past, embrace efficiencies to be gained through technological and other changes, but not lose sight of the enduring importance of professional judgement and values.

Written by Ben Kemp, general counsel, Institute and Faculty of Actuaries