

Time to say “yes” to the European Pensions Directive

The Netherlands has voiced a clear 'no' to the European Pensions Directive, fearing that pension funds will be treated like insurers. With this attitude we lose influence on the result, because we neglect to bring arguments to the table.

On 1 January, the name of the organization of European actuaries changed to Actuarial Association of Europe (AAE). The name change was necessary. On 11 May 1978 we launched the "Groupe Consultatif des Associations d'Actuaires des pays des communautés européennes". This evolved into "Groupe Consultatif Actuariel Européen" - still not really a convenient name at first introductions. Mostly we used Groupe Consultatif or just Groupe as shorthand. Much easier, but Groupe does not say a lot about who we are and what we do. Hence our new name.

As Chairman of the Pensions Committee of the AAE I am closely involved in the revision of the European Pensions Directive as "observer" in the technical discussions in the Working Group of EIOPA, the European Supervisor. In February 2012, EIOPA submitted their advice to the European Commission. In June last year, EIOPA presented its impact study. Meanwhile, shortly before the release of EIOPA's impact study, the European Commissioner for Internal Market, Michel Barnier, announced that further study of the quantitative components of the Pensions Directive is required. In the autumn, a proposal can be expected on the other two pillars of the pension directive: the qualitative elements (including governance and risk management) and the disclosure requirements.

The Netherlands was at first quite positive about the adjustment of the European Pensions Directive, including the quantitative parts. Our FTK (Financial Assessment Framework) is after all in the same direction that the European Commission also wanted to explore. Subsequently, the attitude turned, and The Netherlands voiced a firm "no". The Netherlands is afraid of a copy-paste of the requirements of Solvency II which will apply to insurers. This would imply a 99.5 % certainty measure for example, much higher than the current 97.5% within our FTK.



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The Netherlands has made it very clear to Brussels that it does not want the Directive change even though we are in practice already so close to it with our FTK. By saying "no", we discourage further discussion. We give no arguments to support our 97.5%, which however forms part of the impact study. The impact study analyses even a certainty of 95% and may still leave room to go below that.

Turning to the discount rate: here too we see a wide range of alternatives analysed, from expected return to risk-free. The power of saying "yes" would be that we could actively influence the debate. My observation is that The Netherlands is already much further in thinking and talking about pensions than some other Member States. We do discuss generational effects where this still seems completely taboo in other countries, such as the UK and Germany. We have already had a government commission UFR, the results of which we could feed in at the European level. In other countries, the discussion has not even started. We have been talking about how to convert an old scheme in a fair way into a new arrangement. This type of discussion is not yet taking place in other countries.

I urge that we say “yes” to the explorations of the European Commission and EIOPA. We have so much knowledge and expertise. We could contribute a lot. We could thus actively influence the exploration and decision-making. It would be in our own interest. That is the power of "yes".

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