

The Pensions Committee of the Actuarial Association of Europe wants to be the independent source of pensions knowledge for European policy makers. Says Falco Valkenburg, chairman of the committee. 'Independence is our strength.'

Being honest about pensions

By André de Vos

'It's all about being honest about pensions.' For Dutchman Falco Valkenburg transparent communication about pensions is one of the main drivers for his long involvement in the European discussion on pensions. Valkenburg has been the chairperson of the Pension Committee of the AAE for the last three years. Valkenburg is a self-employed advisor, mainly focusing on international pension issues. **'All European pension funds should explain clearly what they do, and act according to what they say.'**



Falco Valkenburg

Together with Solvency II for insurers and the future of the role of the actuary in general, pensions are the main focus for the Actuarial Association of Europe. Since the European Commission has started work on the IORP (Institutions for Occupational Retirement Provision) guideline for pension schemes, the Pension Committee has put in place several new task forces and subcommittees on pensions that are involved with specific details of pensions.

The solvency working group of the Pension Committee is focussing on the funding and buffers of pension schemes. The task force decumulation is studying the different methods to finance pensions during the retirement stage. The task force adequacy of pensions is trying to define what is a sufficient pension. This task force is part of the social security subcommittee. Although first pillar pensions are not very often the working field for actuaries, it is an important European issue. As are third pillar pensions. Valkenburg: 'In many European countries pension is mostly a government matter. There is hardly a second, let alone a third pillar. But pensions in the first pillar need to be financed as well. Actuaries specialize in these kind of calculations, so it's good to have an opinion on these issues.'

Tracking and tracing of pensions is another taskforce of the pension committee. Its goal is to facilitate European employees to find out what pensions they are entitled to. This is an issue gaining importance as the average worker has more jobs and more different pensions. Only in a very few countries it is possible to get an easy overview of all these pensions.

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Member states are afraid that the European Commission is aiming for harmonisation of pension schemes and therefore wants to impose



Solvency II-like legislation on pension funds. Countries like the United Kingdom, Germany and the Netherlands have taken the backseat in the discussion. A very unproductive attitude, according to Valkenburg. 'The fear for Europe deciding how pension schemes should work is unnecessary. Pensions will always be a national issue. The EC wants to get a set of rules in place to judge whether a particular pension system is well funded. Individual employees and retirees have a right to know if there is enough money for their pension. European rules will never affect the national pension promises itself. The complaint that 'Solvency is going to cost us billions' is just not correct. It's a shame that the Netherlands, England and Germany are becoming bystanders in the European discussion. Their pensions knowledge and experience are much needed in the European debate.'

The national pension schemes in Europa are of a staggering variety which makes it next to impossible to compare them. 'The holistic balance sheet', suggested by EIOPA (European Insurance and Occupational Pensions Authority), is trying to find a way around this. Valkenburg is charmed by the concept. 'The holistic balance sheet is a way of taking into account all the special building blocks that different countries use to fund their pension scheme. Because of the wide range of different systems, that's an ambitious effort. However, despite what the name suggests, it's anything but fuzzy. The holistic balance sheets tries to assess the value of things like sponsor support and pension protection schemes, which are different in each country.'

According to Valkenburg there is a great need amongst European policy makers to have access to the specialized knowledge on pensions that actuaries have. 'Unlike many other parties in the European pension discussion we are not favouring a particular system. We consider ourselves neutral observers. Our job is to calculate whether there is money to pay for the pensions, regardless of the scheme that is chosen by a specific country. We can provide our actuarial knowledge of pension schemes without lobbying. Take the aging discussion. We find that each country uses different ways of calculating life expectancy. We try to make the figures more comparable. That's exactly why our opinion is valued by the EC and by EIOPA.'

Twice a year the Pension Committee has official bilateral meeting meets with EC and EIOPA. 'But whenever EC or EIOPA wants our advice, they will call us. And there are many informal one on one meetings on

specific issues. Of course we meet at conferences and gatherings. That's one of the reasons the AAE moved from Oxford to Brussels. We want to be in the thick of things, we want to be around where decisions are made.'

Little has to be expected before the elections for the European Parliament

After the quantitative impact study that was completed in the middle of last year, little progress has been made on the IORP guideline. The work has almost come to a standstill. Although the EC was expected to come up with further proposals on IORP this spring, Valkenburg believes that little is to be expected before the elections for the European Parliament in May. 'The European Commission is now focussing on governance, risk management and communication issues. New proposals on these issues can be expected. That doesn't mean that there is nothing going on regarding the quantitative issues. But it's mainly EIOPA that's working on these. And that's what we're focussing on as well.'

Even though the AAE presents itself as independent, the goals of the AAE are not without self interest. The ongoing discussion about risk management affects the position of the actuary. Also, with the coming into force of Solvency II for insurance companies there is discussion on the position of the actuary. 'Of course, we would have preferred that the EC would have said only AAE-educated actuaries are allowed to fulfil the actuarial position. But that was never going to happen. The time of medieval guilds is over. We did however manage several parts of our core syllabus to be included in the Solvency regulation. Risk management is now becoming a major issue, in insurance and pensions. We try our best to make sure the position of the actuary in risk management is not overlooked.'

Falco Valkenburg (1960) studied actuarial sciences in Amsterdam. He worked as a consulting actuary until retirement for Towers Watson. Since 2012 he is an independent advisory actuary, entrepreneur and investor. He has been active within the Actuarial Association of Europe since 1999. Valkenburg is chairperson of the Pension Committee. Before that he chaired the Investment and Financial Risk Committee. Valkenburg is married and has two children.