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**Review of IORPs: Information and clarity to beneficiaries most important**

The review of the IORP Directive should not be about just putting more money into IORPs, it should be about **enhancing clarity and transparency about pensions - especially about their safety and communicating the level of safety clearly to beneficiaries**. Eventually, beneficiaries will start asking questions which must be addressed in an open and orderly fashion, both for defined benefit schemes and defined contribution schemes. The emphasis should not be on whether **Solvency II** is the right starting point for pensions since in many cases it just is not feasible to require more money to fund the pensions.

Generally speaking pension promises are very different from insurance contracts. Whereas insurers generally grant “hard” guarantees, pension funds grant “less hard” guarantees. The valuation of the pension liabilities should allow for this - a higher discount rate could be used in order to reflect the softness of the contract. This is one of the main messages the **Groupe Consultatif Actuariel Européen, representing the actuarial profession in Europe, wanted to get across in EIOPA’s Call for Advice on revisions to the IORP directive**.

Furthermore, it is essential that technically attractive proposals do not have **adverse practical consequences**. We are pleased that EIOPA has acknowledged that proposals must be proportionate, but again this is simple to say but complex to implement. It is likely that there will be different measures as to what constitutes ‘proportionate’ – for example, in relation to a particular proposal proportionality could be considered in terms of ‘cost’ to IORPs (where this could threaten viability), whereas in another it might be more directly related to the size of the IORP (its liabilities) or the ‘risk’ it represents.

We support the concept of the **holistic balance sheet (HBS)**, subject to further research and development and clarifications about its use, and provided it is not used as an automatic trigger for driving capital allocation decisions. The HBS is potentially both a useful management and communication tool for IORPs. From a management point of view it would e.g. demonstrate the developments of the components of the liabilities; and from a communication point of view it would be a useful tool in the communication to the regulator/supervisor as well as potentially to other stakeholders. We do stress, however, that further specification is necessary. It is not straightforward how elements like contingent assets; sponsor covenant; and insolvency support funds should be valued. Further research and a quantitative impact analyses are needed.

The basic **role for the Actuarial Function in relation to IORPs** is to execute and certify the calculation of the technical provisions, while also **playing a role in the risk management of IORPs**.

Actuaries are well positioned to:

- provide professional judgement on the financial position of the IORP
- test the consistency and sufficiency of financing
- provide a professional opinion on the execution of the prudent person principle
- provide a professional opinion on the governance of the IORP
- provide a professional opinion on the adequacy/appropriateness of information to beneficiaries

The actuarial function should have whistle-blowing responsibility to the Board of the IORP and to the supervisory body. The actuarial function should meet fit and proper requirements as it should provide competent, appropriate and independent advice to the IORP. This would enhance the operation of IORP's and the security of their members. It would also make it easier for regulators to satisfy themselves that fit and proper requirements are met.

**Note to editors:**

*The Groupe Consultatif Actuariel Européen (Groupe Consultatif) was established in 1978 to represent actuarial associations in Europe. Its purpose is to provide advice and opinions to the various organisations of the European Union - the Commission, the Council of Ministers, the European Parliament, EIOPA and their various committees – on actuarial issues in European legislation. The Groupe Consultatif currently has 37 member associations in 35 European countries, representing over 20,000 actuaries. Advice and comments provided by the Groupe Consultatif on behalf of the European actuarial profession are totally independent of industry interests. The author of this press release is: Falco Valkenburg, Chairman of the Pensions Committee of the Groupe Consultatif. He works as a consultant with Towers Watson in the Netherlands. Contacts for further information: Pia Skaerbak (Deputy Chief Executive, Groupe Consultatif) [pskaerbak@gcactuaries.org](mailto:pskaerbak@gcactuaries.org) or +32 473 591 812 or Falco Valkenburg, [falco.valkenburg@towerswatson.com](mailto:falco.valkenburg@towerswatson.com) or +31 88 543 35 63*