

# Investment of statutory employment pension assets in a diversified way in private pension institutions

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# TEL-pension institutions

	number of institutions		% of the technical reserves
Pension insurance companies	6	Pension insurance companies	86 %
Pension funds	8	Pension funds	4 %
Pension foundations	34	Pension foundations	10 %



# Aims and principles of the earnings-related pension scheme

Earnings-related

Fully-retained

Decentralised organisation

The aim is to guarantee that the attained income level is maintained to a reasonable degree in old age and in the event of unemployment, disability, or the death of the family breadwinner

Index-linked

No pension ceiling

Partial funding of contributions

The joint liability system

The responsibility for pension financing rests with the employers and the insured

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# New solvency rules

- Increased solvency demand reflects the structure of the investment portfolio of each pension institution
- The possibility of taking more risks in investments in order to strive for better earnings
- The solvency position key figure describes the pension institution's solvency margin in relation to demand

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# Calculated Interest Rate (CIR)

- Required annual minimum return
- Common to all pension institutions
- CIR supports funding
- Pension institutions' average solvency position affects the rate of the CIR
- The pension institution can use the return exceeding the CIR for strengthening its solvency or for reducing premiums



# Objectives

- Safeguarding the solidity of investments by means of a sufficient solvency margin
- Achieving a higher rate of return in the long term
- Keeping the CIR as high as possible

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# **Objectives set out in investment plans and conclusions**



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# Topics

- Safeguarding the solidity of investments by means of a sufficient solvency margin
- Achieving a higher rate of return in the long term
- Keeping the CIR (calculated interest rate) as high as possible

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# **Safeguarding the solidity of investments by means of a sufficient solvency margin**

- Target value for the key figure regarding the solvency position is set in most investment plans
- Target value is commonly set fairly high
- CONCLUSION:
- an adequate objective for a single institution

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# Achieving a higher rate of return in the long term

- objective set out in only half of the investment plans
- MAIN MEANS:
- by changing investment distribution
- by increasing solvency capital
- CONCLUSION:
- the objective is set but the work is unfinished





# Keeping the CIR as high as possible

- A high CIR is not always an advantage of a single pension institution
- -> not an objective of a single institution
- SOLUTION:
- proper incentives, connecting the objectives of the scheme and a single institution
- CONCLUSION: CHALLENGES AHEAD

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