



This abstract summarises the DAV professional standard of practice „Angemessenheit des Rechnungszinses bei regulierten Pensionskassen“ which underwent the DAV due process for the adoption of professional standards of practice and was approved by the DAV executive board on 17.09.2015. The complete publication (in German language) is available [here](#).

Adequacy of the Actuarial Interest at Regulated Pensionskassen

The actuarial interest is essential for the permanent satisfiability of the promised performance at Pensionskassen. Therefore a steady audit is necessary with respect to the question if the future possible net interest is sufficient for or exceeds the security of the actuarial interest.

This audit refers to the two scenarios:

- A. Assessment of the adequacy of the actuarial interest being used for already existing contracts
- B. Assessment of the adequacy of the actuarial interest provided for new contracts

If the assessment leads to a negative result it has to be considered in Scenario B to introduce a new tariff with lower actuarial interest. In case of a negative result in Scenario A it might be necessary to increase the actuarial reserve. Depending on the volume of the reduction the necessary assets could reach a considerable amount. It is therefore the ambition to realize the need for a reduction of the actuarial interest at an early stage.

Therefore the core of this paper is an approach as simple and practicable as possible, which regarding the necessary data to be delivered narrows down to available reports or other information essential for the annual accounts or actuarial report or other proofs. With this approach a highest actuarial interest specific for the respective Pensionskasse will be calculated for each scenario on the basis of the data of the Pensionskasse.

With the help of ALM studies it is possible to examine the longer-range possible return considering maturity, reinvestment and a dynamic steering of the capital assets.

Scenario calculations can be used to investigate the impact of the mid-term expected developments of the capital market and also the impact of stress scenarios i.e. a long-term period of low interest rates. In the light of the objective to insure the lasting satisfiability of the pensions it might normally not be enough to observe mainly “mid-term” scenarios and to go without the study of stress scenarios.

Information about the long-term satisfiability of pensions might also be gained of the results of supervisory instruments such as forecast calculations.

In addition advanced studies of the capital investments might be useful especially to assess the actual and future intrinsic value as well as the longer-term expectations of income. According to the principle of proportionality the extent of those studies depends for example on the complexity of the capital assets. The advice “The issues of capital investments in the explanatory report of the responsible actuary” of the investment committee of the German Actuary Association delivers a summary of noncommittal recommendations. The actuaries of Pensionskassen are in fact not concerned by the scope of this advice, nevertheless the subjects regarding capital investments herein are also of interest for them.



The German Association of Actuaries (Deutsche Aktuarvereinigung or DAV) is the professional body representing actuaries and Appointed Actuaries in Germany. It creates the underlying conditions enabling its members to practice their profession properly and in a technically sound manner as well as engaging in constant dialogue with all relevant national and international institutions.

Professional standards of practice are DAV publications that – together with the rules of professional conduct – set out the fundamental principles for the correct practice of actuarial activities. Professional standards of practice are characterised by their

- treatment of specialist actuarial issues,*
- fundamental significance and practical relevance for actuaries,*
- professional legitimisation through a implementation process that allows all actuaries to be involved in such implementation,*
- correct application, with members being professionally safeguarded by a disciplinary process.*

The professional standard of practice „Angemessenheit des Rechnungszinses bei regulierten Pensionskassen (Adequacy of the Actuarial Interest at Regulated Pensionskassen)“ is an advisory note. Advisory notes are professional standards that are to be taken into account in actuarial considerations, the application of which can be freely decided upon in individual cases, however, within the framework of the code of conduct, and which only consist of basic knowledge on specific individual questions.