The actuary's role in the financial review of defined contribution pension schemes

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With the mass conversion of defined contribution models, public as well as private, into defined benefit, as specialists in the integration of the knowledge which international affairs call upon them to wield, actuaries must actively stake out their role in the financial review of pension schemes. Their qualifications and experience should allow them to play a role throughout the investment lifecycle: the definition of objectives in accordance with the nature and characteristics of groups; the complete formulation of a strategy making possible the tactics proposed by pension fund management companies; the verification of all indicators serving to monitor the execution of tactics through the review of daily management; the detection of practices not compliant with legislation or management mandate agreements; the calculation of the origin of the results obtained, with a special focus on expenses incurred; the adjustment of agreements made to bring them into line with commitments to socially responsible investment policies; the proposal of recommendations and conclusions making it possible to periodically update the strategies, tactics and risks involved.

The work is based on 23 years of practical experience in the review of Spanish pension funds, with a volume of almost 30 billion euros. Real, practical examples will be presented illustrating the impact of economic cycles on the modifications introduced over more than a 20-year period.

Keywords: DC objectives; financial strategy; tactics vs. management; detection of practices; results; expenses; actuary’s role, investment lifecycle