Our future role as Social Security Actuaries in Europe

As Social Security Actuaries we are proud – with good reason - of our role in the development of theory and practice in the Social Security field. Generally, in our days, we can observe some influence of the actuaries' advice in the ears of the policymakers.

Populations, societies, and markets change though are dynamic. Insecurity, unfairness, and growing tensions among groups have led in our days to perceptions of increases in overall inequality. The demand for corrective actions in the social contract is rising.

Our work as Social Security Actuaries involves conceptualizing about different group dynamics. It involves designing a new institutional framework consistent with the new dynamics.

In seeking to respond to the new challenges, we need to puzzle more on what we wish to achieve in the short but also in the longer term.

What should be our future role as actuaries?

What we wish to achieve in a 5 years' time? What we wish to achieve in a longer term?

What would be our contribution to the wellbeing of the society?

This paper seeks to provide answers in the light of the above questions.

- **What we wish to achieve in a 5 years' time?**

To highlight the important role the Social Security is playing for a justice society.

The actuary is, in principle, the professional who helps businesses and clients to develop policies that minimize the financial cost of risk and uncertainty.

However, our role has not been established, yet, as "crucial" when reporting government's liabilities in Social Security. Many countries most times ask the economists.

Our steps towards the "5 years' time" target should follow, in parallel, two paths:

That of communication of our work to the society and

That of keep developing our expertise

The Communication Issue

Being extrovert is not as easy. It is also not easy to listen carefully what people have to say. Communication thus is the only way to help:

Peoples' understanding on how social security contributes to economic security

Our understanding of the people needs; we cannot contribute to the wellbeing of the society being outside of the society.

Raising pension awareness is important. So in short term effort should be paid in organizing:

Webinars focusing on the non-actuaries.

Discussions focusing on helping people to understand their situation more implicitly.

The difficult period because of COVID 19 highlighted the importance of "listening to the experts". As Social Security actuaries we may consider ourselves as experts in the Social Security field: We have the full knowledge, the necessary tools to implement solutions and, apart from these: The actuarial profession is independent of industry interests. Our role should always be:

to state the facts and analyse the financial costs of risk and uncertainty.

to quantify the risks of either policy makers' proposal offering them a clear view on the "pros and cons" of their decision.

Last but not least: We have to continue promoting our profession internationally enforcing as well our collaboration with the International Actuarial Association (IAA) and the International Labor Office (ILO).

We should continue to highlight the social security guidelines which have been issued by the International Social Security Association (ISSA). It is a century ago when confirmed that the actuarial reporting forms a key element of good social security governance.

Keep developing our expertise

Actuarial modelling approaches and methodologies are available to project future cash flows and assess the short, medium- and long-term impact of pension policies and reforms on adequacy and sustainability of pension system provision in an integrated way. We should continue to highlight this expertise and provide the actuarial perspective in relation to the adequacy and sustainability of pensions' issues and the calculation of the relative figures. In particular in the fields of:

The calculation methods for the OECD Ageing Report.

The use of the different replacement ratios.

The use of pension projection methods (micro and macro).

The pension tracking Services in the EU countries.

The calculation of the pension figures in the T29 table.

We should continue to discuss, give comments and state conclusions on:

The long-term projections in demographics

The various retirement subjects.

In addition:

The above topics could be also approached from the side of the expenses: Despite the importance of occupational pensions, there exist few comparative studies of total pension provision and their costs. So, when dealing with pensions, in addition to the benefit side we need to consider the costs. This will help to understand the different ways applied to reduce expenses and benefits.

Intergenerational fairness should be also considered when dealing with pensions. An important way in which individual concerns are expressed is in the language of “fairness”.

- **What we wish to achieve in a longer term?**

To advance solutions to challenges facing the member states by increasing public understanding of how social security contributes to economic security

Globalisation, technological progress and demographic change profoundly affect OECD labour markets, influencing both the quantity and quality of jobs that are available, as well as how and by whom they are carried out. The work patterns deviate from the full-time dependent employee model on the basis of which the social protection systems were designed. The many concerns of scheme members play out broadly in the process of "political economy".

The above challenges on the traditional social protection systems should be reflected in the assumptions actuaries make about the future. As actuaries we may discuss for products which will address part of these trends. We may discuss for approaches which would benefit from the use of actuarial expertise.

Accordingly, it is matter of concern as to how we may ensure that our proposals are heard accurately by the policy makers.

More specifically to achieve our long term target we should:

- Keep giving input to policy makers at EUropean institutions on the relevant calculations about the adequacy of retirement provisions
- Enabling consumers to be able to get relevant information about their projected personal financial situation at retirement age

In addition:

Actuarial modelling approaches and methodologies do not appear to be done consistently across the EU at present. So, when referring to the role of the Social Security Actuary, we need to consider the role of the Social Security Actuary in each member state.

Another long term goal should be to

- "convince" the EU policy makers to follow the ISSA-ILO Guidelines on Actuarial Work for Social Security both for actuarial work in individual countries and for EU level exercises such as The Ageing Report.

- **What would be our contribution to the wellbeing of the society?**

Because our primary objective is people, we wish in the long run the European citizens to receive a retirement benefit that will prevent them from poverty.

As actuaries we are involved extensively in the management of financial and social risks being concerned on the quantification of financial and demographic risks aspects of groups of individuals. The past, although it can provide useful information, will most likely not be a good indication of what the future will be. So to work effectively, an understanding of the differences, causes, effects and dynamics of the composition of the groups of individuals in terms of their similarities and differences is crucial. We thus need to be continuously updated in, for example, public policy or societal consensus, mobility, life-cycle variations, inter-generational relationships, technology.

In our days, as with any crisis, social security benefits are challenged. Losers from the distributional tensions, quite often, in order to voice their discontent choose to exit the social dialogue.

To face the challenges of the "realities of the ground" we need to develop further our problem-solving attitude by establishing requirements for defining, recognising and measuring social benefits.

At the same time we need to:

- Keep explaining to people the characteristics of the social benefit schemes as well as the demographic, economic and other external factors that may affect the social benefit schemes.
- Convince the policy makers that when the problems are undergone rigorous factual analysis they can drive to a better policymaking.

We firmly believe that every problem has a solution; in fact it may have many solutions. It is our job to propose the best one.