

Actuarial consulting and scientific expertise  
on all questions of occupational pensions





**Kenston Services GmbH** acts as an independent service company for all actuarial and administrative tasks and questions relating to company pension schemes.

The core competence of **Kenston Services GmbH** is, on the one hand, the **actuarial consulting and support** of employers of all sizes with regard to their company pension schemes within the scope of the – national and international – valuation of pension obligations. For this purpose, all necessary balance sheet approaches are considered and finally evaluated. On the other hand, another core competence of **Kenston Services GmbH** is the comprehensive, actuarial consulting and ongoing support of **pension and death funds**.

In this orientation, **Kenston Services GmbH** also serves clients from the following areas for the purpose of outsourcing or taking over the aforementioned activities:

- tax consultants and auditors (or corresponding companies);
- lawyers and legal advisors (or corresponding companies);
- management consultants and high-quality financial service providers (or corresponding companies).

**Kenston Services GmbH** enables high-quality consulting by means of standardization and automation. Innovation and uniqueness arise from the combination of **KENSTON solutions** with the individual company and consultant requirements as well as the possible adaptation of the technology in this respect.

Within the framework of the **KENSTON solutions**, indispensable legal and pension consulting activities are outsourced to affiliated authorized service providers. In this context, **Kenston Services GmbH** takes over the coordination of all related legal and pension consulting activities and provides you as a consultant or employer (and the associated employees) with an **all-encompassing** and **legally secure back office**.

The **CO-CEOs** of **Kenston Services GmbH** are Mr. **Sebastian Uckermann** and Mr. **Patrick Drees**.

Mr. Uckermann, court-approved pension consultant for occupational pensions, is also **CO-CEO of the KENSTON GROUP®** ([www.kenston.de](http://www.kenston.de)) and **“Chairman of the Bundesverband der Rechtsberater für betriebliche Altersversorgung und Zeitwertkonten e.V.” (Federal Association)** as well as author of numerous practical and scientific publications in the field of occupational pensions. In addition, Mr. Uckermann is **editor and author of a standard commentary on occupational pensions published by Beck-Verlag**.

Mr. Drees, graduated in business administration and court-approved pension consultant for occupational pensions, is also **CO-CEO of the KENSTON GROUP®** member of the Board of Trustees of the **BRBZ** and author of numerous practical and scientific publications in the field of occupational pensions. In addition, Mr. Drees is **author of a standard commentary on occupational pensions published by Beck-Verlag**.

## KENSTON GROUP®

**Kenston Services GmbH** is a company of **KENSTON GROUP®** ([www.kenston.de](http://www.kenston.de)).

Under the umbrella of **KENSTON GROUP®** operate interconnected companies, which act as independent solution partners for all aspects of company pension schemes. The focus in this context is the implementation of all possible outsourcing arrangements for direct pension obligations.

In addition, **KENSTON GROUP®** acts as an investor, co-investor and partner for financing of entrepreneurial sustainable investments. Such implementations are made globally and are central managed.

In addition, the range of services offered by the **KENSTON GROUP®** includes all relevant consulting and processing services that are additionally tangential to a company’s operational provision and remuneration. These services include, among others:

- personnel and payroll accounting;
- retiree payroll.

In this orientation, the **KENSTON GROUP®**, as a national and international “competence center”, also serves clients from the following groups of persons or areas:

- tax consultants and auditors (or corresponding companies);
- lawyers and legal advisors (or corresponding companies);
- management consultants and high-quality financial service providers (or corresponding companies).

The consulting, set-up, processing, and ongoing monitoring of occupational pension systems requires technical, legal, and organizational effort in high-quality consulting and thus ties up company resources. Through intelligent outsourcing, the **KENSTON GROUP®** enables comprehensive cost reduction while minimizing liability or simultaneously excluding liability for employers and the consultants involved. This results in innovation and uniqueness..

Within the framework of the **KENSTON solutions**, indispensable legal and pension advisory activities are outsourced to affiliated authorized service providers. In this context, **Kenston Services GmbH** and **Kenston Pension GmbH** take over the coordination and handling of all related legal and pension advisory activities and provide employers (and the associated employees) with an all-encompassing and legally secure bAV back office. **KENSTON Business GmbH** assumes corresponding coordination functions within the scope of the investor activities of the **KENSTON GROUP®**.

The shareholders and **CO-CEOs** of the **KENSTON GROUP®** are Mr. **Sebastian Uckermann** and Mr. **Patrick Drees**.

## Actuarial

The core competence and core business area of **Kenston Services GmbH** is the **actuarial consulting and support** of employers of all types with regard to their company pension schemes.

Pension obligations resulting from direct commitments are recognized in the balance sheet of the respective company by means of pension provisions. In this respect, the following accounting measurement options can be considered or applied:

- tax balance sheet valuation in accordance with Section 6a of the German Income Tax Act (EStG);

- valuation under commercial law in accordance with the requirements of the German Accounting Law Modernization Act (BilMoG);
- international accounting in accordance with International Financial Reporting Standards (IFRS) and United States Generally Accepted Accounting Principles (US GAAP).

In this context, **Kenston Services GmbH** assists employers of all sizes with the balance sheet valuation of pension obligations. For this purpose, all necessary balance sheet approaches are considered and finally evaluated.

In addition to the annual calculation of provisions, the spectrum also includes long-term forecasts and simulations based on various scenarios. In the same way, calculations and expert opinions are also prepared for obligations similar to pensions (e.g. obligations for anniversary benefits, from partial retirement agreements and others).

Supplementary to actuarial consulting for companies in general, another core competence of **Kenston Services GmbH** is the comprehensive support of **pension and death funds**. Besides the provision of **responsible actuaries**, complete **function outsourcing** is also part of the services.

The team of **Kenston Services GmbH** consists of graduate mathematicians, actuaries (DAV) and IVS experts who can look back on decades of professional experience.

## Responsible Actuary

**Kenston Services GmbH** provides **responsible actuaries** for regulated pension funds.

Life insurance companies are required to appoint a **responsible actuary**. This also applies to pension and burial benefit funds insofar as they are subject to supervision by the German Federal Financial Supervisory Authority (BaFin).

First and foremost, the **Responsible Actuary** must ensure that the calculations of premiums and actuarial reserves comply with the relevant regulations of the German Commercial Code and the legal ordinances issued. In doing so, he or she must review the financial position of the company, in particular, to ensure that the permanent ability to meet the obligations arising from the insurance contracts is guaranteed at all times.

In addition, the **Responsible Actuary** must make proposals for an appropriate surplus participation and explain the facts and assumptions from which the appropriateness of his respective proposal results. In addition, there is the experience report to the Board of Management, in which the Responsible Actuary reports on the calculation approaches and further assumptions of his confirmation.

In the case of regulated pension or burial benefit funds, the calculations must be made in accordance with the approved business plans. In this respect, the explanatory report is limited to confirming that the actuarial reserve has been calculated in accordance with the approved Technical Business Plan. However, the importance of the **responsible actuary** increases here if he at least accompanies or completely takes over the communication in the preparation or amendment of the technical business plans. And especially in the case of insurance companies that are managed by honorary board members or as a sideline to their main employment with a sponsoring company, it is important that the companies have a close contact person with a broad overview of the many different problems and solutions of a life insurer. The spectrum ranges from normal actuarial questions to explanations on the causation-based allocation of surpluses to support in risk management or in the design of simplified asset-liability management approaches.

## Actuarial Function

**Kenston Services GmbH** acts as the **Actuarial Function (VM function)** for regulated pension funds.

Since 13.01.2019, pension funds have also been required to appoint an **Actuarial Function**, as was generally established for life insurance companies with the introduction of Solvency II.

The tasks of the **Actuarial Function** include coordinating the calculation of technical provisions, assessing the quality of the underlying data and ensuring the appropriateness of the methods and assumptions used. In addition, the Actuarial Function reports to the Board of Management on the reliability and appropriateness of the calculation and contributes to the effective implementation of the risk management system.

Similar to the **Responsible Actuary**, the prerequisites for the **Actuarial Function** are both professional suitability (extensive knowledge of actuarial and financial mathematics is required, as well as relevant experience with authoritative professional and other standards) and reliability.

In terms of content, there is a proximity or overlap with the responsible actuary, who, however, will not always have the detailed knowledge, for example, of the quality of the underlying data. In addition to the above-mentioned requirements, knowledge of the specific IT landscape of the pension fund and all relevant special features is also necessary. It is therefore important that a person with the relevant experience in the **Actuarial Function** has an overview of the relevant processes and risks and thus provides real added value to risk management and also to the Board of Management.

## Pension and Burial Funds

**Kenston Services GmbH** offers a comprehensive portfolio of services for pension and burial funds. Among other things, a total of around 15 pension and burial funds under the supervision of BaFin (German Federal Financial Supervisory Authority) are looked after as the Responsible Actuary.

However, **Kenston Services GmbH** is also the right partner for smaller burial benefit funds under state supervision, which usually only require an **Actuarial Report** every 5 years to review the financial situation and prepare the balance sheet. They not only receive actuarial expertise in the form of expert opinions, but also assistance in communicating with the insurance supervisory authorities. We would like to emphasize that our team is able to provide expert opinions on short notice due to high specialization and many years of experience, so that even small insurance companies do not have to fear a waiting period of months.

Therefore, get to know the actuarial services of **Kenston Services GmbH** for pension and burial funds below:

### Execution "Calculations performance cases"

Pension calculations are also carried out professionally for complex pension arrangements or in special cases. Optionally, the calculation can be documented in a short and clear form or in detail and completely comprehensible in an attachment. Often, especially in the case of small pension funds, an independent review of each benefit case is even required by BaFin.

### Certificate of vested entitlement

After leaving the sponsoring company, insured persons receive a certificate of vested entitlement.

### Actuarial reserves and transfer values

For individual cases, the actuarial reserves are usually only requested in connection with the lump-sum settlement or the transfer with transfer value pursuant to Section 4 of the German Occupational Pensions Act (BetrAVG), but the determination of the transfer value to satisfy the claim for information pursuant to Section 4a of the German Occupational Pensions Act is also part of the service portfolio.

### Pension equalization

Proposals for the equalization value for pension equalization in the course of divorce proceedings usually require the commissioning of an actuarial expert due to the specification of a capital value. If there is still a lack of division regulations or business plan regulations or an interpretation of exi-

sting regulations on the basis of a disputed individual case, we also provide support in this area.

### **Examination of the collateral in the calculation bases**

It is standard practice in actuarial reports to examine the calculation bases. If necessary, however, it is also possible to examine outside a regular report how the collateral has developed over a period of time or what the future development is likely to be. This enables the fund to react at an early stage.

### **Estimates, portfolio forecasts, deterministic and stochastic long-term forecasts**

The medium-term development of an insurance portfolio can be forecast relatively well using second-order accounting bases. Such forecasts can, among other things, be important for the collateral in the actuarial bases (development of the administrative cost budget) or can also influence investment decisions. Long-term forecasts are also frequently required for ALM studies.

### **Cash flow analyses and sensitivities**

Every forecast is based on assumptions, but how much does the forecast result change if the assumptions are varied? Methods used under Solvency II can be used to determine the fluctuation effects and, if necessary, the dependencies of individual assumptions, and thus to examine the informative value of the forecasts. The level of detail is arbitrary; the final result is the calculation of the Solvency Capital Requirement (SCR) from the underwriting risks under Solvency-II.

### **Effects of changes to the calculation bases**

Even if the changes to the actuarial bases are only

minor – the impact on the actuarial reserve can usually only be determined on the basis of simulation calculations on the respective portfolio, because the relative cost of the change depends to a large extent on the individual portfolio structure (e.g. in the case of reinforcements of collateral in interest or biometrics). Often there are also different approaches, e.g. in the case of changes in business plan cost rates, which have different effects on the actuarial reserve or the premiums for future new business.

### **Transitional models for financing post-reservation**

In the case of supplementary reserving, it is not only important to know what level of security a fund should achieve. Often, it also matters with what flexibility the funds can be accumulated so as not to put the fund under unnecessary pressure in the event of extraordinary events.

### **Review of participation in the valuation reserves**

Regulated pension funds have usually deviated from the participation in the valuation reserves pursuant to Section 211 No. 2 of the German Insurance Contract Act (VVG) with the approval of the supervisory authority. The review of the amount of the valuation reserves eligible for participation can be carried out, among other things, according to the procedure proposed by the German Actuarial Association (DAV), although there is certainly scope for interpretation.

### **Screening processes**

Complex processes often conceal errors or inaccuracies that cannot be detected at first glance. Processes can be successively screened for risks. Typical processes are, for example, the creation of BaFin

statements (stress test or forecast calculation), processes in connection with pension equalization, certificates in accordance with § 22.5 EStG or reports in accordance with § 22a EStG, but also the standardization of data delivery to the responsible actuary. For this purpose, the execution of critical processes is reflected on the basis of real processes with the actual acting persons and examined and classified with an experienced view.

### **Quality assurance, dual control, further development of internal tools**

Through independent parallel development of existing or new functionalities, an instrument for quality assurance can be installed in day-to-day business, which, if set up correctly, guarantees only minimal effort with high process reliability. It is also conceivable that simple actuarial tools, which are frequently required, are created individually for the fund (e.g. for own calculations of pension equalization or transfer values or capital settlements or also for automated calculations of the actuarial reserve, during the year or also for forecasts).

### **Consulting actuary for regulated pension funds**

Many typical issues also affect other pension funds in an analogous way: Synergies arise when experience already exists for many processes as to how other pension funds were able to solve a challenge. In addition to the pension funds we serve directly, we also have contacts with a network of more than 20 pension and burial funds under the supervision of BaFin. The intensity of the advice provided varies greatly. Conceivable is a consultation depending on the process (usually initiated by the board of directors, e.g. in case of changes in processes or because of new EDP). However, regular appointments can also be arranged in which, analogous to the "screening process", higher-level topics are dealt with, the interfaces between individual departments or support with risk management too.

### **Activity as Actuary in Charge**

The cooperation with the actuary in charge is usually based on long periods of time and is characterized by special trust. In addition to the reliability of the content-related work, adherence to deadlines and flexibility are certainly of particular importance. In our opinion, this is essentially a matter of proper coordination so that, for example, no unnecessary delays occur in the tight schedule of the annual financial statements. And especially in the dialog with the supervisory authority, it can be an advantage if solutions to comparable cases are already available from other insurers. A total of 14 pension and burial benefit funds under the supervision of BaFin are currently being served as Responsible Actuary.



# Head of Actuarial Department

Jan Stratmann

**Head of Actuarial Department  
Kenston Services GmbH / KENSTON GROUP®**

Jan Stratmann, graduate mathematician, actuary (DAV) and IVS expert, is – in addition to his activities for the **Kenston Services GmbH** and the **KENSTON GROUP®** – a member of the Board of Trustees of the BRBZ.

In addition, Mr. Stratmann is the author of numerous practical and scientific publications in the field of occupational pensions as well as the author of a standard commentary on occupational pensions published by Beck-Verlag.

Mr. Stratmann has more than 20 years of professional, leadership and implementation experience in the field of actuarial or actuarial support of na-

tional and international corporate client mandates.

In addition to actuarial expertise, Jan Stratmann's main areas of activity are actuarial activities for pension and burial benefit funds. These activities include: Support with regard to annual financial statement work, preparation of actuarial reports on the asset situation, surplus analysis (if necessary with proposals for surplus distribution), revision of existing or preparation of new technical business plans, if necessary.

Mr. Stratmann is also a recognized expert lecturer in these subject areas.



## Standard commentary by Sebastian Uckermann

Overall view of all areas of occupational pensions

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2nd edition 2022

#### Publisher

C. H. Beck oHG ([www.beck.de](http://www.beck.de))



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