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## European pension executives criticize quantitative easing

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By Editorial Staff      Thu, Jun 23, 2016

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*The European Central Bank is “distorting the market” for corporate debt, several pension executives said at an institutional investors' summit in Vienna this week.*

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A board member of the Austrian insurer Uniqa said publicly that the European Central Bank's policy of buying corporate debt is “destroying” the debt market and turning Europe's funded pension systems into “collateral damage,” IPE.com reported this week.

Speaking at an institutional investor summit in Vienna, Peter Eichler said the “wipe-out of funded systems [seemed] to be an accepted risk” of the central bank's amended quantitative-easing program. Uniqa owns a stake in the Austrian Pensionskasse Valida.

Olaf Keese, managing director at the S-Pensionskasse, the German pension fund for savings banks (Sparkassen), chimed in that the ECB was “distorting the market” for European corporate debt. The S-Pensionskasse has in recent years set up a Masterfonds to invest in international government bonds through a credit overlay. The Masterfonds accounts for 8% of the Pensionskassen's €4bn in assets.

Keese said his fund could invest in longer-duration bonds of 15 years of maturity or more, thereby increasing duration, but the approach would increase risk without improving risk-adjusted return.

The overlay strategy was chosen “especially due to a higher degree of liquidity and granularity. At the moment, this approach is especially favorable since corporate [bonds] are getting less liquid and more expensive.”

A managing director at Allianz Austria, Martin Bruckner, criticized “inconsistencies” in institutional plans to increase investment in infrastructure. “Politicians say we should invest billions into infrastructure, but the supervisors seem to have different ideas. They should find a consensus on this important topic,” he said.

Christian Böhm, CEO at Austria's €4.2bn APK Pensionskasse, noted problems stemming from the way European regulators treat certain asset classes. “All the stress tests are based on [value-at-risk] models and are always backward-looking, which means, for example, government bonds are extremely overvalued,” he said.

But Böhm also stressed the responsibility borne by pension funds in the current environment. “Pensions are not risk-free,” he said. “We have to manage the assets so that we have enough risks on the books to generate sufficient returns. If we do not achieve this over a rolling multiple-year period, we are obsolete as institutions for retirement provision.”

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