ACTUARIAL ASSOCIATION OF EUROPE
ASSOCIATION ACTUARIELLE EUROPÉENNE

1 PLACE DU SAMEDI
B-1000 BRUSSELS, BELGIUM
TEL: (+32) 2 201 60 21
E-MAIL: info@actuary.eu
WEB: www.actuary.eu

Notes of a meeting with Tatyana Panova, Cabinet of Dombrovskis, on 30 March 2017

AAE	EU Commission
Kristoffer Bork	Tatyana Panova
Philip Shier	
Falco Valkenburg	
Karel Goossens	
Ad Kok	

TP did not expect any major market disturbances in the near future. She was open to listen to us and would welcome any relevant information from the AAE.

After some IORP introductory statements by Falco (about when using a cash-flow approach the choice for a discount rate could be avoided), she made clear that the next IORP review would not take place before 2020. In the meantime there could be room for some reflection, but that would be all.

Currently the Commission is more focused on the (implementation of the) SII Delegated Acts, especially the capital calibration. She raised the question whether these were still useful in relation to assets. If the AAE would see any issues, now would be the time to mention these.

Falco made a remark on the necessity to create better information around the various conditionality's in IORP contracts. TP reposted by challenging how prescriptive it all should be.

Philip mentioned that the cash-flow approach should go beyond twenty years to take account of the intergenerational balance. Again TP warned us how far we wanted to go, referring to Solvency II. Kristoffer mentioned the discrepancy with IORP in that the SII regime is applicable to pension products issued by insurance companies.

The Commission is currently working on the PEPP legislation. Key discussions include the level of guarantees and the retirement components. If the product contains too many guarantees it will certainly fail. The Commission are searching to find the delicate balance between the (guaranteed) insurance cover and the price. The whole discussion is expected to be highly political. The major issue is the local tax treatment and this could block the whole development. The real danger is that national pension products will receive a unique treatment and many member states have linked the tax relief to the decumulation phase.

The commissioned tax review report is about to be published. TP enquired what we would envisage with PEPP. The Commission will try to reach unanimity in the final debates.

TP also touched briefly on the situation with respect to negative interest rate levels. To our surprise TP was not aware of the existence of negative nominal interest rates (only negative real interest rates). She also questioned whether this would be a long term issue.

We mentioned that current insurance models - in general - cannot handle negative interest rates. This could lead to unreliable or even wrong valuations and SII numbers.

The meeting was closed after 50 minutes and TP would be happy to have regular discussions with the AAE.