



INTERNATIONAL ACTUARIAL ASSOCIATION
Pensions and Employee Benefits Committee (PEBC) Meeting
St. Petersburg, Russia

Part 1: Thursday, May 26, 2016 – 8:00 – 10:00

Part 2: Friday, May 27, 2016 – 14:00 – 18:00
Minutes

The list of attendees is at the end of these minutes.

Part 1: Thursday, May 26, 2016 – 8:00 – 10:00

1. Opening of the meeting

Yasuyuki Fuji, Chair of the Pension and Benefits Committee (PEBC), opened the meeting and welcomed all attendees. Following introductions of committee members and observers.

2. Minutes

The minutes of the last meeting held on 15 and 16 October 2015 in Vancouver, were approved as presented.

3. Structure

To set the context for the two days of meetings, the Chair led a discussion of various relevant IAA and committee structural and operational matters. He also pointed out a change in the structure of the meetings with the introduction of a OECD and accounting subcommittee meetings that are separate from this meeting. Prior to starting the discussion, the Chair reminded committee members about the importance of explaining the various acronyms being used during discussions as well as the importance to speak clearly so that everyone understood the discussions especially those that do not speak native English.

a. Reminder of IAA strategic plan

The Committee was reminded of the importance of orienting its work to the IAA's strategic plan. The Chair provided an overview of the plan to the Committee.

b. Overview of MOUs

The Chair provided an overview of the various activities with organisations for which the IAA has a Memorandum of Understanding as well as other supranational associations.

c. Work plan

The current workplan for the Committee is provided in the material for this meeting. The Chair stated the importance of the relationships with the various supranational bodies and commended the efforts by several of the Committee members to maintain and grow these relationships.

d. Update since Vancouver

Yasuyuki Fujii reported certain events that occurred since the last meeting such as the meeting with International Public Sector Accounting Subcommittee representatives in Ottawa in early May.

4. The International Public Sector Accounting Standards Board (IPSASB)

Jason Malone and Rob Brown provided a summary of discussions that occurred with the IPSASB.

Jason Malone initially provided an overview of the discussion with representatives of the IPSASB that occurred on May 11th in Ottawa on the proposed changes to IPSAS 25 as well as a current project on the development of standards on the recognition and measurement of social benefits. In attendance at this meeting in Ottawa from the IAA was Jason Malone as well as Rob Brown, Assia Billing and Jean-Claude Menard. Attendees from the IPSASB were Paul Mason and John Stanford. The proposed changes to IPSAS25 is essentially an update to reflect the recent IAS19 changes as it mimics that standard.

Rob Brown provided an update the the discussions he had on March 9th on the project on the development of a standard on the recognition and measurement of social benefits. He also has a similar discussion at the May 11th meeting. Both discussions were fairly similar in which we described our position on how we should measure social security benefits. The current position of the IPSASB is that social security benefits should be measured as a closed group similar to what is currently done under IAS19.

5. OECD

Esko Kivisaari provided an update and summary of the discussion at the joint OECD Subcommittee of the PEBC and IRC held earlier on May 26th.

There is a long standing relationship between the IAA and the OECD and IOPS. The MOU was renewed with the IOPS and the MOU will be revisited with the OECD.

Esko reported of global initiatives in long-term and infrastructure investment. Long-term investment is often understood to be key contributor to growth, job creation and stability, including inclusive growth and environmental sustainability. There are concerns that tightening bank regulation makes banks reduce their share of financing these areas. This means that there could be opportunities for insurers and pension funds in this area. As insurers and pension funds cover with their assets very long term liabilities, it could be that long-term investment can well fit into their investment portfolios. It must also be considered whether investments deemed now to be too risky for banks area really good investments for other institutional investors. The IAA is monitoring this area for example in its contacts with the OECD and Esko's slides are attached to the minutes.

6. Funding Monograph

Charles Cowling led a discussion on the latest draft of the pension funding monograph. There was general agreement that the monograph was looking in good shape and that it should be possible to publish later in the year. It was agreed that Esko Kivisaari and Tom Terry would take the latest draft of the monograph to the June OECD meeting to see if there may be interest in a joint IAA / OECD publication. It was noted that clearance for publication would need to be obtained from the IAA Branding and Communications Subcommittee.

A number of drafting points were made, including:

- Within the scope it should be made clear that the monograph is not considering social security plans or government employee pension plans.

- Draw out the challenge of simultaneously meeting 3 conflicting objectives way of Security vs Affordability vs Adequacy. Two out of three objectives may be achievable at the expense of the third objective. There is also a link here to the trend towards DC arrangements.
- Draw out similarities / differences between bank debt / pension plan debt.
- Draw out stage of growth of pension plan vs stage of growth of employer and current / projected size of pension plan balance sheet vs company balance sheet.
- Need to get case studies to address specific questions in the monograph either within the main chapters of the monograph or within the case study appendices. It may be preferable to do this within the case study appendices, as the monograph can then be kept up to date for country developments simply by updating the relevant appendix.
- The definitions appendix needs to be made consistent with the OECD pension definitions
- Several other detailed comments were made (and submitted by email). Charles Cowling agreed to update the monograph for the comments made and issue a further version within the next few weeks. He will then ask the authors of the case studies to update the case studies to include answers to the questions raised in the monograph (in a standard form). It is hoped that a final version of the monograph will then be ready for the Cape Town meeting in November.

7. Russia update

Anna Selivanova from the Russian Guild of Actuaries led the group in a discussion about the pension landscape in Russia. Pension benefits are provided in three separate pillars:

- Pillar I - State sponsored programs – Insurance pensions
- Pillar II – Occupational plans
- Pillar III – Individual plans

In 2015, a reform of the first pillar made several modifications to the benefits provided but also the eligibility as well as the financing of the structure. The group had a discussion on the life expectancy at retirement in Russia which sees a significant gap between males and females. Ms Selivanova also discussed the asset strategies used within this pillar as well as the legislative requirements for the investing of funds.

In Pillar II, approximately 8% of employed population is covered by programs. A series of types of programs cover employees such as jubilee benefits and lump sum payments at retirement. Pillar III programs are still very immature in Russia and still needs to be developed.

8. Pension and Benefits Accounting Subcommittee (PBAS) report and discussion

Tim Furlan updated the Committee on PBAS activities which will be discussed in more details at the PBAS meeting later on May 24th.

The main focus of the work has been on the several projects currently underway at the IASB. A discount rate project which encompasses several standards including IAS19. PBAS is working closely with the Insurance Accounting Committee (IAC) to provide feedback to the IASB. PBAS provided comments to the IASB on narrow scope amendments to IAS19 and IFRIC14. We are also expecting some delays in further work on any post employment benefits projects from the IASB especially on hybrids although limited scope amendment could be proposed.

9. Round robin update of national developments

- Japan – Target Benefit Plan designs are currently being proposed in the Japanese legislation
- USA – Concerns over multiemployer plans and reduction in benefits for participants in those plans. Continued derisking of pension plans through lump sum windows or other projects
- Canada – Significant projects to modify social security programs. Initially they were plans to reduce benefits but now plans are to increase benefit levels.
- South Africa – Currently retirement reforms
- UK – Several change to legislation
- France – Currently a second pillar reform

10. Actuarial Association of Europe (AAE) update & EIOPA

Philip Shier gave a presentation on the results of the first stress test of IORPs (pension plans) undertaken by EIOPA as at 31 December 2014, which was intended to test the resilience of DB plans to adverse conditions, and to identify the impact of such conditions on outcomes for members of DC plans. EIOPA emphasised that it was not a pass-or-fail exercise requiring immediate action by IORPs (unlike bank stress tests). Three adverse scenarios were tested – two market shock situations and one longevity stress. It was noted that at the 31 December 2014, pension plans were already in a stressed situation due to low interest rates and the outcomes for DB plans showed a significant increase in deficits. As these could generally be addressed by increased contributions and/or benefit reductions, there would not be a systemic impact although there would clearly be consequences for sponsors and members. The results for DC members show that those closest to retirement would be worst affected by a market shock, but the younger members would suffer most from a prolonged period of low interest rates.

Philip Shier provided a pension update from the Actuarial Association of Europe, whose Spring meeting had been in London on 8 April. In addition to the EIOPA stress tests which were covered under the previous agenda item, the AAE had input to the discussions on the proposed revision to the IORP Directive (IORP II) which had four key objectives

- To protect pension scheme members and beneficiaries:
- To inform pension scheme members and beneficiaries
- To remove obstacles for cross-border occupational pension funds
- To allow occupational pension funds to invest in assets "with a long term economic profile" which are not traded.
- This was now the subject of trilogue negotiations between the Parliament, the Commission and the Council, under the Dutch presidency of the EU. The key areas where agreement had not been reached were cross border transfers, with some concerns expressed about regulatory arbitrage, and the information to be provided to members of DC schemes in relation to their expected benefits. The AAE requested that a requirement that the Actuarial Function holder must have actuarial expertise had been partially addressed by the inclusion of text in the Recitals.
- The other area in which AAE had been involved was solvency for IORPs which was not being changed by the Directive, but which EIOPA were considering further at their own

initiative EIOPA had recently provided advice to the Commission on a common framework for risk assessment and transparency. AAE would prepare a position paper on this, but the issue was unlikely to be considered by the Commission in the medium term.

11. Educational Documents from other sources for actuarial practice on IAS 19

- The Chair of the committee reminded us of the discussion that took place in Vancouver on a potential update of the committee webpage. The webpage could be used as a holder of documents that could potentially be of interest to the members. The discussion focused more on whether or not we should take charge of having a library and who should take the ownership of the update of the library. The discussion should be continued at the next meeting in Cape Town after looking at what other committee are doing.

12. Review of TORs

- There was a discussion on the current review of the Term Of References (TORs) which was led by the Chair of the committee. The modifications were adopted by the committee

13. PBSS Colloquiua

- Jason Malone reminded the committee of the upcoming PBSS Colloquia in St John's Canada and Abe Hernandez presented a video introducing the PBSS colloquia in Cancun Mexico in 2017.

14.Next Meeting

The next meeting of the IAA will be in Cape Town, South Africa 18 and 21 November 2016.

Attendance:

Attendees	Part 1: Thursday, October 15, 2015	Part 2: Friday, October 16, 2015
Yasuyuki Fujii, Chairperson	✓	✓
Jason Malone, Co-Vice-Chair	✓	✓
Philip Shier, Co-Vice-Chair	✓	✓
Urs Barmettler	✓	✓
Nils Berner	✓	✓
Charles Cowling	✓	✓
Barbara D'Ambrogi-Ola	✓	✓
Philippe Dermol	✓	✓
David Fairs	✓	✓
Alfred Gohdes	✓	✓
Ken Hohman	✓	✓
Heidi Rackley	✓	✓
Donald Segal	✓	✓
Kenji Sekine	✓	✓
Alfred Gohdes	✓	✓
Ken Hohman	✓	✓
Safia Lekehal	✓	✓
Thomas Levy	✓	✓
Tonya Manning	✓	✓
Ana Ramos Estrela	✓	✓
Ex-Officio		
Tim Furlan	✓	✓
Esko Kivisaari	✓	✓
Observers		
Rob Brown	✓	
Don Fuerst	✓	✓
Ted Goldman	✓	
Akihiro Hotta	✓	✓
Heather Jerbi	✓	✓
Stuart Leckie	✓	
Marius Du Toit	✓	✓
Mortez Aalabaf-Sabaghi	✓	✓
Richard Deville	✓	✓
Christelle Dieudonne	✓	✓
Marius Du Toit	✓	✓
Niel Fourie	✓	✓
Abraham Hernandez Pacheco	✓	✓
Heather Jerbi	✓	✓

Jan Kars	✓	✓
Tonya Manning	✓	✓
Phillip Merdinger	✓	✓
Nobu Shimizu	✓	✓
James Verlautz	✓	✓
Vyacheslaw Sherstnev	✓	
Martin Stevenson		✓
Carlos Lozano	✓	✓
Flavio Vieira Machado Da C. Castro	✓	✓