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Meeting of the Pensions Committee
to be held on 7 April 2017 from 09.00-17.00 in Málaga

Minutes

Participants

Hartwig	Sorger	Aktuarvereinigung Österreichs	Austria
Philippe	Demol	IA|BE	Belgium
Ad	Kok	Actuarial Association of Europe	Belgium
Richard	Deville	Institut des Actuaires	France
Jean-François	Gavanou	Institut des Actuaires	France
Richard	Herrmann	Deutsche Aktuarvereinigung	Germany
Gábor	Borza	Magyar Aktuárius Táraság	Hungary
Philip	Shier	Other	Ireland
Cathal	Fleming	Society of Actuaries in Ireland	Ireland
Falco	Valkenburg (chair)	Het Koninklijk Actuarieel Genootschap	Netherlands
Rita	Marques	Instituto dos Actuarios Portugueses	Portugal
Maitane	Mancebo	Instituto de Actuarios Españoles	Spain
Diego	Valero Carreras	Col.legi d'Actuaris de Catalunya	Spain
Lionel	Candaux	Association Suisse des Actuaires	Switzerland
Jeroen	Van den Bosch	Het Koninklijk Actuarieel Genootschap	The Netherlands
Paul	Kelly	Institute and Faculty of Actuaries	United Kingdom
David	Roberts (notes)	Institute and Faculty of Actuaries	United Kingdom

1. **OPENING OF THE MEETING AND ADOPTION OF THE AGENDA**

The chairperson welcomed the members to Málaga and thanked Instituto de Actuarios Españoles for hosting the meeting.

The agenda was adopted. A copy is attached as **Annex I**.

2. **MINUTES OF THE PREVIOUS MEETING**

2.1 The minutes of the meeting held in Barcelona on 22 September 2016 were confirmed with one omission corrected – Philippe Demol noted as having been in attendance and a typographical error on page 8, paragraph 10.1 also corrected ("His" changed to "This").

2.2 There were no matters arising to be added to the published agenda.

3. **ACTIVITIES OF THE PENSION COMMITTEE**

3.1 The Chairperson delivered a presentation (**Annex II**) noting the activities of the Committee since the Barcelona meeting. No additional activities were identified by Committee members.

4. **TRANSPOSITION OF THE IORP II DIRECTIVE INTO NATIONAL LAW**

4.1 The formally adopted revised IORP – attached to the agenda as annex 2 - directive (IORP II) was noted.

4.2 There was a round table discussion seeking to share information and identify any issues that might be raised at European level. Issues to be taken forward -

Pension Benefit Statements – lead NL
Independence of Board/Governance – lead ES
Formal separation of actuarial do/review role – lead IE

Action:

1) ***Each volunteering member (as above) to provide a few paragraphs on the issue on which they lead, explaining where the potential problems/challenges lie.***
2) ***The Committee will follow this up with a survey to establish the stance of each member country.***

Other comments –

- Austria

Transposition isn't a current priority, as there are only around 10 IORPs. Logistical challenges may arise as Austria chairs EU in second half of 2018 (and implementation is due by 13 Jan 2019). There are also elections due around same time.

Anticipated areas of concern in Austria -

1) Actuarial function. This is covered in a single Article, which doesn't explicitly recognise 2 distinct roles (undertaking work and reviewing/approving) and may lead to potential conflicts of interest. It is hoped that National transposition will split these duties.
2) Own risk. Current National law is very high level, giving the Supervisor power to prescribe requirements. Would prefer more detail on face of any

National Act, fettering scope for Supervisor to go beyond what IORP requires/acquiesce to EIOPA caprices.

- Belgium

Confidential discussions are taking place between Ministers and Supervisors. Views on transposition are likely to emerge in May/June.

- France

Discussions are ongoing between the Finance Ministry and Supervisors. These are expected to lead to a new pension vehicle that will be subject to IORP and will therefore have lower capital requirements than current pensions - transfers may be popular. Details expected to be published shortly.

- Hungary

With one exception (which is a fully DC pension), pension funds are not covered by IORP. Problems are not anticipated.

- Ireland

The Society of Actuaries has had little engagement to date with the Supervisor. Areas of potential concern and/or interest include:

1) Any requirement to make reports publically available could lead to poor publicity
2) The introduction of an own risk assessment may force trustees to up their game/confront issues
3) The Supervisor is looking at current levels of trustee skills/experience
4) The requirement for an equitable spread of risks is a poor fit with existing winding up rules
5) It is believed that the Supervisor may recommend that the current exemption for schemes with fewer than 100 members should end in certain areas e.g. governance-related requirements

- Netherlands

NL have been trying to provide less information to members, to avoid overload, and issue Uniform Pension Overview (UPO) to do so. The IORP II requirement for a Pension Benefit Statement runs counter to this, requiring too much information. Looking at options, such as extending scope of UPO or layered information (e.g. where provided electronically) with some of the more-detailed requirements at lower levels.

- Portugal

Don’t anticipate problems as implemented new requirements (e.g. risk management and key functions) in 2010, which are largely aligned with IORP II.

- Spain

There has been a recent change of leadership at the Supervisor and its plans are currently unknown. However, a soft transposition is expected. Some concern at potential for conflicts of interest e.g. selection of advisers by Board when Board members may also have interests in Pension Fund Managers, Administrators,

Consultancies.

- Switzerland

IORP does not apply as pension schemes are all considered first pillar.

- UK

Currently unknown whether the UK will seek to implement. Legislative timetable could be very tight with much Brexit related activity expected. However, most requirements are reasonably benign and so not too many problems are anticipated.

A further round table followed, focusing on the current risk management practice and actuarial involvement in these. The chair shared a presentation on the current risk management practice in The Netherlands, attached as **Annex IV.**

Areas of general concern included that:
Supervisors might adopt a copy/paste approach of Solvency II processes/measurement (either directly or through guidance) within pensions. This was a particular concern where there is a single Supervisor for both pensions and insurance.

The pensions community should collect arguments that make it clear that pension risks are unique and not necessarily the same as insurance. We should learn from insurers' journey – be inspired by Solvency II but change the approach where appropriate.

Actions:

1) ***Invite colleagues from Insurance Committee to attend the next Pensions Committee meeting to discuss this.***
2) ***Encourage Pensions Committee participation within the Risk Management Task Force. Portugal, Belgium and Ireland to find volunteers from their communities.***

5. **EIOPA'S EUROPEAN STRESS TESTS FOR IORPS**

5.1 The Chair delivered a presentation (**Annex III**) on AAE's participation on EIOPA's informal consultation, running through AAE's response and noting the start date for the next round of stress tests – 18 May 2017. There were no concerns with the AAE response.

5.2 Separate papers were provided on two issues – "Collecting Cash Flow Data" and "Impact on Sponsors" (attached to the agenda as Annex 3 and 4). Members were invited to submit any concerns on the qualitative questions contained, to the Chair. In addition, Members were invited to express interest in joining the Working Group that is considering these.

6. **NEGATIVE INTEREST RATES AND THEIR TECHNICAL CONSEQUENCES**

The AAE paper on this topic, published 20 December 2016 (attached to the agenda as Annex 6)) was noted. This identifies areas where existing processes and assessments fall short in a negative interest environment and notes that modelling risks for insurance may not map across directly to pensions – concerns need to be raised with European bodies e.g. EIOPA, ECB.

7. **DEVELOPMENT OF A PAN-EUROPEAN OCCUPATIONAL DC PENSION**

The Chair provided an update on EIOPA's aspirations and its work to date on the creation of a standardised Pan-European Occupational DC pension. This is very much in its initial stages, with EIOPA wishing to deliver a clear, transparent, framework. Any standardised pension needs to offer good value and, to achieve this, there will need to be appropriate emphasis on default investments/strategy. There is currently little information available, but EIOPA hopes to draft and publish documentation over the coming months.

8. **DEVELOPMENT OF AN EU SINGLE MARKET FOR PERSONAL PENSIONS**

The Chair delivered an update on EIOPA's work towards a single market for personal pensions. Creation of a single tax regime is fundamental to the success of this and it remains questionable as to whether this is achievable. EIOPA hopes to publish its plans for developing a single market framework the in the next month or so.

9. **EDUCATIONAL NOTES**

9.1 Cathal Fleming delivered a report on development of Educational Notes for Actuarial Function Reporting and Risk Reporting for IORPs.

Paul Kelly has joined the Working Group, replacing the previous UK member. The Group has focused on the Actuarial Function, using ESAP II (developed under Solvency II) as its starting point. The structure of ESAP is considered good/appropriate for pensions, with some adjustment and the group has looked at local practices, establishing differences and similarities.

A separate note on Risk Reporting, which will be a broader piece, will follow the IORP II structure for risk management. Again, the group will seek to capture the current practices across different countries.

The Group hopes to be able to provide a draft of the Educational Note for Actuarial Function reporting in time for the next Committee meeting, with the Risk reporting note to follow.

10. **SOCIAL SECURITY SUB-COMMITTEE**

A report on the work of the sub-committee was provided (attached to the agenda as Annex 7) and noted. There was no meeting of the sub-committee in Málaga as the Chair was unable to attend, but a conference call is to be scheduled in the near future.

11. **EIOPA OCCUPATIONAL PENSIONS STAKEHOLDER GROUP**

Paul Kelly, who is a member of OPSG, updated the Committee on the OPSG's recent and forthcoming work, running through the agenda of a meeting planned for 26 April (**Annex V**). Standardised capital adequacy requirements for IORPs remain a real threat, as the EC has indicated that it wishes to look at this (again).

12. **LINKS WITH OTHER ORGANISATIONS**

12.1/12.2 Meetings were noted between Officers of the AAE and

a) the Chairman and Staff of EIOPA, 19 Dec 2016 (attached to the agenda as Annex 8)
b) DG FISMA, 30 Mar 2017 (attached to the agenda as Annex 9)

12.3 Minutes of the IAA Pensions and Employee Benefits Committee held in Capetown in Nov 2016 were noted (attached to the agenda as Annex 10).

13. **COMMITTEE PRIORITIES 2017**

The Chair delivered a presentation (**Annex VI**) on the AAE strategy proposal and invited discussion on these. It was suggested that a reference should be added to ensuring that pensions are adequately raised/discussed when engaging with EIOPA and/or the EC.

For strategic objective 3 – Promoting a European Community of Actuaries – consideration was given to how best disseminate information more widely, for example to hold webinars (e.g. on EIOPA's stress test for IORPs). In relation to the Pensions Committee priorities, it was agreed to add EIOPA's work on the Pan-European Occupational Pension.

Pension Committee priorities will be reconsidered once the wider AAE objectives have been signed off.

14. **INFORMATION EXCHANGE**

Committee members shared the more significant changes and developments in their countries.

- Austria

Several large companies moved employees into funded pensions around 2000. Some of these companies now have the opportunity to move remaining book reserve liabilities into funded pensions, as reserves are currently high.

- Belgium

Mypension.be – an online statement of State and supplementary pensions for individuals - went live in December 2016. The Academic Council of Pensioners has developed a proposal for a points-based pension entitlement system that is being given serious consideration.

- France

Focus is on Supervisory prudential rules, as there is concern as to what might happen if a bank or insurer were to fail. Work continues on the new pension vehicle that will be subject to IORP II.

- Ireland

The opposition has asked the Government to consider a PPF-type protection scheme for members where an employer fails and there are insufficient assets to meet liabilities and/or employer debt provisions. Separately, there is concern that long recovery periods, where the sponsoring employer is paying significant dividends, may attract negative publicity for the pensions community.

- Netherlands

A new Government is being formed following elections and there is a rumour that the new Social-Economic Council has sent advice to the formation parties that pension provision should be more DC in nature (however, this is a long-standing debate).

- Spain

A Parliamentary Commission is examining reform of the social security system. Adequacy is the main challenge and the pension replacement ratio may need to reduce significantly over coming years.

- UK

The Social Security Ministry has published a consultation paper, which seeks to raise debate and consider some of the significant challenges facing DB pension provision.

15. **AOB**

Rita Marques extended an invitation on behalf of the Instituto dos Actuarios Potugueses to the Summer School, 5-8 June in Estoril on insurance-linked securities and big data.

Diego Valero Carreros shared a video presentation inviting actuaries to attend the Life Colloquium in Barcelona, 23-24 October.

There was no other business identified.

16. **NEXT MEETING**

The next meeting will take place on 21 or 22 September 2017 in Copenhagen at the invitation of Den Danske Aktuarforening.