

NOTES OF A MEETING OF THE SOCIAL SECURITY SUB-COMMITTEE HELD AT THE PHOENIX HOTEL, COPENHAGEN ON 21 SEPTEMBER 2017

Participants:

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| Chris Daykin (Chair) | UK |
| Philippe Demol | Belgium |
| Costas Stavrakis | Cyprus |
| Ismo Risku | Finland |
| Richard Deville | France (observer) |
| Maria Economou | Greece |
| Cinzia Ferrara | Italy |
| Raffaello Marcelloni | Italy |
| Jeroen van den Bosch | Netherlands |
| Falco Valkenburg | Netherlands (Chair, Pensions Committee) |
| Maitane Mancebo | Spain (Instituto de Actuarios Españoles) |
| Peter Gatenby | United Kingdom |
| John Woodall | United Kingdom (observer) |
| Craig Hanna | USA (American Academy of Actuaries) (observer) |

Apologies:

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| Tibor Párniczky | (Hungary) |
| David Bogataj | (Slovenia) |

- 1. Opening of the meeting and adoption of the agenda**
Chris opened the meeting and the agenda was adopted.
- 2. Notes of the Conference Call held on 7 July 2017**
The notes of the previous meeting were confirmed.
- 3. Task Force on Adequacy of Pensions (TFAP)**
Maria Economou presented the paper of the TFAP and a one page set of provisional conclusions. Powerpoint presentations were given by Maitane Mancebo on Future Expected Replacement Rates and by Raffaello Marcelloni on Theoretical Replacement Rates and Vulnerable Groups: an Italian Experience. In Maitane's presentation she discussed two indicators: gross/net replacement rate (pension at retirement divided by the individual's final salary) and relative pension level (pension at retirement divided by average salary of the active population). The figures used were taken from the OECD publication Pensions at a Glance 2015, and represent future projected replacement rates, taking into account the latest changes legislated to the pension system in each country. Raffaello presented an analysis of theoretical gross and net replacement rates for Italy taken from the Pensions Adequacy Report 2015 and from his own analysis of INPS and INAIL entitlements for injured

workers both without and with INAIL annuity benefit. Recipients of INAIL benefits can have a net replacement rate greater than 100% because the INAIL benefit is tax-free.

The Chairman thanked the TFAP for the progress made in developing the report. Members of the subcommittee suggested that the paper could discuss more the limitations of measures such as theoretical replacement ratios and draw out the difficulties of interpreting such ratios when the results vary greatly by level of salary and by working career experience, as well as indicating which measures are useful for indicating different aspects of adequacy. The use of legislated reforms (including pension age) meant that some reforms that were planned (and had been announced) were not allowed for, and other reforms raising retirement age were allowed for, even though in practice many workers may not be employed up to the much higher pension age.

David Bogataj had submitted his paper on internal rate of return as a measure of adequacy of pension benefits just before the meeting but was unable to attend, so it was agreed to circulate his paper. The TFAP report included sections on the use of internal rate of return as a measure, which Ismo Risku had also studied in depth in the Finnish context, as well as consideration of different forms of replacement ratio.

Comments were invited from the subcommittee on the revised version of the paper and on the conclusions, to be submitted to Maria and the Chairman after Copenhagen. The Chairman of the subcommittee would work with the chair of the TFAP to finalise the paper as a communication tool for the AAE in discussions with DGEmployment and MEPs and would incorporate material from the paper into the update of the paper on The Ageing of the EU, which would follow the publication by the Commission of the 2018 Ageing Report and the Pension Adequacy Report 2018, expected in February or March 2018.

In order to comply with AAE governance, the Chairman had been asked to develop terms of reference for task forces. Draft terms of reference for the TFAP were in the agenda papers and comments were invited from the subcommittee before these were finalised after the Copenhagen meeting.

4. **Task Force on Pensioner Mortality (TFPM)**

The Chairman was disappointed to report that Yves Brys (Belgium) had resigned from chairing the TFPM. As the TFPM had not been active there was no material for discussion on this topic at the Copenhagen meeting. However, the Chairman reminded the subcommittee that DG Employment were keen to have input from the AAE on expectations of life, particularly with regard to the mechanisms embedded in the reform of national pension laws in the EU member states linking retirement age to expectation of life.

5. **Meeting with DG ECfin**

The Chairman reported on the meeting which Costas Stavarakis and he had had on 11 July with Per Eckefeldt, the Deputy Head of the Unit at DG ECfin responsible for the Ageing Reports. The Head of the Unit, Giuseppe Carone, had unfortunately not been able to attend the meeting. The preparation of the pension cost projections for the 2018 Ageing Report had been discussed. Eurostat had published the ESSPOP2015 projections earlier in the year and these were being used as the basis for the pension cost projections, which were currently being prepared by member states. Costas reported that the first set of peer reviews (by a group of other countries looking at the pension cost projections that had been prepared by some countries) would be taking place very soon. DGEcfin were aiming to publish the Methodology and Assumptions paper in October and the Ageing Report itself in February 2018 or at the latest in March 2018.

The other major topic for discussion had been the planned Table 29 disclosures on a closed group basis in the national accounts at the end of 2017, as required by Eurostat. DGEcfm had been sympathetic to obtaining the approval of member states for disclosure of open group measures of implicit pension debt in the Ageing Report with explanation of the limitations of the closed group measure in Table 29, but had not received the expected support from member states. As a result this proposal was stalled but some member states may publish a report on financial sustainability of the system alongside the Table 29 figures.

A draft paper from the IAA Social Security Committee on Accounting for Liabilities of Social Security Systems had been completed shortly before Copenhagen and had been circulated with the agenda for the Subcommittee meeting. Costas Stavrakis gave a Powerpoint presentation on the main themes of the paper. There was general support for the content of the IAA paper. However, we had been advised that the IAA did not want this paper to be branded as a joint paper of the IAA and the AAE, although we were free to make use of it in preparing our own paper on the topic. It was agreed that it would be useful to prepare an EU version of the paper with worked examples of the limitations of closed group reporting for different types of social security system in Europe. This would then be used in future discussions with DGEcfm and Eurostat and could form the basis of a public statement if and when information from the Table 29 disclosures at 31 December 2017 gets into the public domain.

It was agreed to re-establish the Task Force on Projections and Methodology which had prepared submissions to DGEcfm before the 2015 Ageing Report. Costas agreed to chair the Task Force and volunteers to join it would be sought when the minutes were circulated.

6. Preparation for publication of Ageing Report in 2018

The Chairman had prepared a draft chapter on demographic considerations which might be included in our response to the 2018 Ageing Report. This was a slightly expanded version of the chapter on demography in our paper *The Ageing of the EU* which had been published in March 2016. Comments were invited from members of the subcommittee on the current draft.

7. Survey on social security provision for the self-employed

A summary of the responses from 13 countries to the survey on social security provision for the self-employed and those in non-standard work had been circulated with the agenda papers. It was hoped to obtain a few more responses by circulating the link to the Survey Monkey to members of the Pensions Committee, some of whom represent countries not present on the Social Security Subcommittee. The Chair would then write up a short report on the conclusions of the exercise. Costas Stavrakis drew the attention of the Subcommittee to an extensive study on this carried out by the European Social Policy Network (ESPN) and published by the European Commission in April 2017, entitled "Access to social protection for people working on non-standard contracts and as self-employed in Europe. A study of national policies."

(<http://ec.europa.eu/social/main.jsp?catId=738&langId=en&pubId=7993&furtherPubs=yes>)

8. Future Meetings

The next meeting of the SSSC would be a conference call in December 2017 (to be arranged). Consideration would be given to holding a face-to-face meeting in Warsaw on the afternoon of Thursday 3 May 2018 (preceding the meeting of the AAE Pensions Committee on 4 May).

The Chair hoped to organise the next regular meeting with DGEmployment in the next two or three months and hoped that Maitane Mancebo would be able to take part in her new capacity as Chair of the Pensions Committee. It was also hoped to organise a meeting with Eurostat in Luxembourg, to meet both the demographic projections team (Giampaolo Lanzieri) and the national accounts team.

9. **Close of meeting**