

NOTES OF A CONFERENCE CALL OF THE SOCIAL SECURITY SUB-COMMITTEE HELD AT 12.00 HRS CET ON WEDNESDAY 31 JANUARY 2018

Participants:

Chris Daykin (Chair) – UK
Philippe Demol – Belgium
Costas Stavarakis – Cyprus
Maria Economou – Greece
Marianna Papamichail – Greece
Tibor Párniczky – Hungary
Jeroen van den Bosch – Netherlands
David Bogataj – Slovenia

Apologies:

Ismo Risku – Finland
Maitane Mancebo – Spain (Instituto de Actuarios Españoles)
Peter Gatenby – UK

1. Opening of the meeting and adoption of the agenda

Chris opened the meeting and the agenda was adopted.

2. Notes of Meeting held in Copenhagen on 21 September 2017

The notes of the previous meeting were confirmed.

3. Task Force on Adequacy of Pensions (TFAP)

Maria Economou provided an update on the future plans of the Adequacy Task Force, following a conference call on 14 December. These included studying the use of the Automatic Balancing Mechanism (ABM) approach as an indicator for an adequacy threshold. Another proposal was to work up some examples of individuals with specific characteristics and compare how they would fare in terms of adequacy under the systems in different member states. Yet another proposal for further work involves studying the ways in which pillar 2 pensions can be used to alleviate the problems of adequacy relating to those forced to retire before the eligibility age.

The TFAP had completed a final version of the paper presented in Copenhagen at the previous meeting of the SSSC. This material would be drawn upon in drafting the AAE response to the forthcoming Pensions Adequacy Report.

Mention was made that Aldona Skucaite (a Vice-Chair of the IAA Social Security Committee) would be presenting a paper at ICA2018 in Berlin on Measuring And Balancing Adequacy And Sustainability In Social Security Programs.

4. Preparation for Publication of Ageing Report 2018

Costas reported that the Ageing Working Party had endorsed the projection results and these would be going to the Economic Policy Committee shortly. The Commission (DGEcfm) were expecting to have a first draft of the Ageing Report 2018 at the beginning of April and publication was expected sometime in May. There was an expectation that the Pension Adequacy Report (PAR2018) would be published at about the same time.

The Commission's Assumptions and Methodology Paper had been published in November 2017 and Chris had updated the demographic chapter for the AAE response to the Ageing Report to reflect information in that paper and on the Eurostat website. This now included cohort expectations of life at age 65 for a number of countries and a comparison with the period expectations of life. Chris invited written comments on the latest draft. He recognised that it was a bit lengthy in the context of the full response that the AAE might issue and consideration might need to be given to having a separate paper just on the demographics.

There was general agreement that the migration assumptions underlying the Eurostat projections were quite strong and individual member states may be making very different assumptions for their own projections. This reflected the emphasis in the EU work on creating consistency across all countries in the projections, with national considerations being seen as less important. However, the results are subsequently used to make recommendation to individual countries. We should consider whether we can offer some actuarial insights for balancing these potentially conflicting drivers, including the possibility of using credibility approaches to meld together national projections and converging EU projections. Costas suggested that one approach might be to have several approved methodologies, with a choice being made for each country which is the most suitable for the conditions there, rather than trying to squeeze all countries into the same methodological mould.

Costas drew attention to the conflict with actuarial standards for social security actuaries preparing national pension cost projections and reported that it had been agreed in the Ageing Working Party (AWP) to include at least a footnote (in the Cyprus country fiche) which would refer to actuarial standards and this potential for conflict, which would be a step towards an acknowledgement that the Ageing Report 2018 pension cost projections may not comply with actuarial standards. The AWP has itself expressed concerns about being seen to have oversight of the projections for the AR, whilst not in fact being able to influence Eurostat on the production of the underlying demographic projections.

Tibor expressed concerns that, although Eurostat's stated methodology no longer placed emphasis on linking migration assumptions to forecasts of exogenous economic variables, it seemed that the link to economic forecasts was now just hidden. Marianna referred to the underlying assumption in the AR that the mortality experience of the insured population would be identical to that of the total population, which from a Greek perspective did not seem a reliable assumption.

David indicated an interest in being involved in analysing and commenting on the long-term care and health care cost projections in the AR. Philippe offered to contact Christelle Dieudonné, Chair of the IAA Health Committee and a French actuary, to enquire whether she could suggest someone with a health insurance background who could help.

We should continue to make what preparations we could on the information available to us, but inevitably we would not be able to prepare our response until we had sight of the

AR2018 and the PAR2018. This meant in practice that the earliest we would be able to discuss a draft would probably be July 2018 and that we might not be able to have a report ready for publication until the end of September or into October.

5. Plans for meeting with Eurostat

It had not so far been possible to find a convenient date for Costas and Chris to visit Eurostat for discussions on the demographic projections (Gianpaolo Lanzieri) and the Table 29 disclosures on pension liabilities (John Verrinder). However, Costas had had discussions with John during a Eurostat mission to Cyprus. John is interested to meet with the AAE, either face to face in Luxembourg or by conference call. Eurostat had now received the Table 29 disclosures as at 31 December 2017 from all member states bar one. They were hoping to receive the last country's results soon and would aim to publish all of the results together in March or April. There might be a follow-up meeting to discuss developing the methodology and disclosures and AAE input would be welcomed.

Costas mentioned that the IAA Social Security Committee was about to publish a position statement on the issue of disclosing pension liabilities in national accounts. Whilst the examples which the IAA would draw on would be from outside Europe, a parallel study producing EU examples of the impact on different types of social security scheme would be valuable. Costas was in the process of re-activating the Task Force on Projections and Methodology (of the SSSC) with a view to carrying out some work on this. There was interest in participation from Finland, Greece, Hungary and Cyprus.

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

An updated summary of the results of the questionnaire had been circulated by Chris, together with a short covering report. Ismo Risku had indicated that he had found it useful as there is active consideration of these issues in Finland at present. The summary now included 16 countries, as three more responses had been received after the Copenhagen meetings. It was intended to make the report available to DGEmployment when we next go to visit them. Chris invited members of SSSC to send him any comments on the report and the summary of questionnaire responses.

7. Working Party on Workers' Compensation

As Raffaello was not on the call there was no report on progress with this IAA Social Security Committee Working Party in which AAE SSSC members had been invited to participate.

8. Future meetings

It was agreed that we should investigate with the secretariat (and a doodle poll) whether it would be possible to organise a meeting of SSSC on Thursday 3 May in Warsaw, when the Pensions Committee and the Risk Management Committee would be meeting on the Friday. Several of the topics on the TFAP agenda would be suitable for short presentations leading into discussion. Assuming that a face-to-face meeting could be arranged in Warsaw the next conference call would be after publication of the AR2018 and PAR2018, i.e. in June or July.

Chris would continue efforts to set up meetings with Eurostat, with DGEmployment and DGEcfm.

The attention of SSSC members was drawn to the International Congress of Actuaries (ICA2018) in Berlin on 3-8 June, with the additional options of registering for the first half or the second half of the week. There would be a number of sessions of interest to social security actuaries. The IAA Social Security would be meeting on the morning of Friday 1 June as part of the IAA Council and Committee meetings to be held in Berlin from 30 May to 2 June just before ICA2018.

Chris Daykin
Chairman, Social Security Subcommittee
Actuarial Association of Europe