

## **NOTES OF MEETINGS WITH EUROSTAT**

### **HELD AT 11.30 HRS and 14.00 HRS CET ON MONDAY 19 MARCH 2018**

#### **Participants (am):**

John Verrinder – Head of Unit C1, Eurostat (national accounts)

Chris Daykin (Chair, SSSC) – UK

Costas Stavarakis (Chair, SSSC Task Force on Projections and Methodology)

Costas and Chris met with John Verrinder (JV), who is head of the Unit C1: National Accounts Methodology: Indicators at Eurostat. His colleague, who has a leading role in the review of the Table 29 pension data, as recently submitted by Member States (MS), was unable to join the meeting.

We discussed the development of the new Table 29 disclosures in the EU MS national accounts, as mandated by Eurostat, and how they might now be promulgated. Table 29 pension data was required for first time to be submitted to Eurostat by all MS by 31 December 2017. Eurostat have received all the MS disclosures but have not published anything yet at an EU level. However, several MS have already published at a national level their own figures, including UK, Belgium, France, Denmark and Slovenia. It is expected by Eurostat that about half of MS have either published or have set a date for a national publication in due course. Eurostat intends to publish the overall data in June, following publication of The Ageing Report 2018 (AR18), by which time it is expected that most countries will have published their own data.

As we were aware from a previous meeting with DG ECFin, there had been discussions with MS about a publication linking the Table 29 disclosures to AR18, so that the differences in approach could be made clear, with Table 29 based on a closed group approach for accrued liabilities only, whereas the projections in The Ageing Report are on an open group approach and include future accruals (including for future new entrants) and future contributions. However, this idea did not find favour with MS, so the two exercises are being kept quite separate.

Although originally scheduled for publication in February/March 2018, AR18 is now delayed to the end of May. Meanwhile it is expected that most countries will publish their own Table 29 figures independently. Eurostat had provided some guidance to Member States in the shape of a draft “Statistics Explained” publication in October 2017, it was entirely up to individual countries how to present the figures. The UK had published in early March, with a focus on household wealth rather than pension liabilities. According to JV, the data release received very little attention other than in the specialised pension press, with articles in The Sun and the Financial Times.

The Table 29 disclosures have their origin in the System of National Accounts (SNA) 2008 update, emanating from the IMF. There are many ongoing discussions about ‘boundary issues’, i.e. what is included and what is not and about what the information really means, especially when there are so many different types of public social security arrangement and some are in and some are not. Some countries use actuaries to calculate the pension liability figures and others pension experts. Also some countries, typically the

smaller in size, use the same people who prepare projections for AR18 and the same pension model used in the AR18 exercise, while others use different teams/ models. Various other approaches/ combinations may also be used.

Costas updated JV on the plans of the AAE SSSC to study the impact of the Table 29 disclosures on different types of social security arrangement in the EU. JV would welcome such a study.

Given the likely timetable now for the publication of AR18, it was probable that Eurostat would prepare a publication for the overall Table 29 data for the end of June. Publication of the data would be accompanied by publication of metadata, including country fact-sheets, which give a succinct summary of the country's social security and what is and what is not covered by the Table 29 disclosures. Eurostat would then be carrying out a review of the technical guidelines and were expecting to reconvene the pension expert working group (which had met in April 2017, with IAA and ILO participation) in October or November of 2018.

The ISSA Review is expecting to publish a special edition on pension liability disclosures later in the year.

JV is the Eurostat observer on IPSASB (International Public Sector Accounting Standards Board) and involved with EPSAS (European Public Sector Accounting Standards). Progress with IPSASB producing an international accounting standard for social benefits had been very slow, with quite a lot of push-back from proposals in 2008 and 2013. CD and CS mentioned that the Social Security Committee of the IAA had been active in interfacing with IPSASB on these issues.

The meeting was very amicable and was followed by lunch together in the Eurostat canteen. JV would welcome continued cooperation with the AAE SSSC and would invite us to participate in the pension expert working group meeting in the autumn. They would be interested in the outcome of any research that our Task Force on Projections and Methodology could carry out.

#### **Participants (pm):**

Adam Wronski – Head of Unit F2, Eurostat (demography and migration)

Giampaolo Lanzieri – Senior Statistician, Unit F2, Demography and Migration, Eurostat

Chris Daykin (Chair, SSSC) – UK

Costas Stavrakis (Chair, SSSC Task Force on Projections and Methodology)

Costas and Chris met with Giampaolo Lanzieri (GL), who is a Senior Statistician in the population and migration unit of Eurostat, together, at least for the first part of the meeting, with Adam Wronski, head of the Unit F2: Population and Migration.

Chris had met with GL before in January 2013 on a previous visit to Eurostat on behalf of the SSSC. On this occasion GL wanted to introduce us to the Head of Unit, and that enabled us to tell him about the AAE and the SSSC, but he did not contribute much to the meeting and soon left. As on the previous occasion, GL appeared to be rather suspicious of our motives in wanting to discuss the Eurostat projections with him, but he warmed to the topic when it was on purely technical matters.

He thought that most of our questions could be answered if we read the Eurostat methodology paper for the ESSPOP2015 projections (rather than the Ageing Working Party Underlying Assumptions and Projection Methodologies paper which we had studied). He was also keen to point out that the methodology had been fully agreed in

consultation with the National Statistical Institutions (NSIs) and was therefore broadly owned and not just the view of Eurostat. Nevertheless the projections were just projections on a given set of assumptions and, as with all such projections, the actual outcome could be very different, even sometimes directly as a result of having published the projection. No direct account was taken of the individual country projections being prepared by NSIs, which could therefore be very different.

We discussed at some length the migration projections and the realism of projecting such large shifts in the future working population in some Member States (MS). He was unrepentant as in his view such shifts had taken place historically and the trends were clear. To assume termination or reversal of trends would be equally speculative. It may be that greater public awareness of the consequences of a continuation of the trends would result in actions which might make things turn out differently. He claimed that there had not been any significant change in the methodology compared to the previous EUROPOP2013 projections but the formal 'buy-in' from the NSIs was why they were now called ESS (for European Statistical Services) rather than EURO (for Eurostat). The methodology had to blend shorter and longer term trends. There was a small degree of feedback where the resulting changes were dramatic but the trends were what they were.

On fertility we questioned why some countries, such as Spain, appeared to have been picked out for special treatment which moved them rapidly into a different place in the pecking order over a few years. He did not really have any answer to this, except to argue that by showing only every fifth year in our graphs we were not showing the full extent of recent trends and changes.

On mortality we again raised the question of why they did not publish cohort expectations of life. Whilst he understood the 'cohort effect' of mortality improvement observed in some countries, he did not seem to have considered or looked at the expectations of life on a cohort basis. He thought that the anomalies which we pointed out probably arose because their projection of mortality tables is based on projecting forward period life tables, and that they had not checked to see that the results were coherent across the diagonals. Raising this issue with him did seem to elicit an admission that this was something they might look at more closely in future.

We also indicated the importance of actuarial standards when setting the demographic assumptions and in particular the "neutrality" of those assumptions. In accordance with paragraph 2.3 of the ISAP2, "neutral assumptions are such that the actuary expects that the resulting projection of the Social Security Program experience is not a material underestimate or overestimate".

He indicated that decisions had already been taken about the timing and arrangements for the next round of projections but that he was not at liberty to share that information with us.

In spite of the somewhat defensive reception, the meeting was worthwhile. We gained a better appreciation of some aspects of the methodology and hopefully increased our credibility with GL as having technical appreciation of the issues.

Chris Daykin  
Chairman, Social Security Subcommittee  
Actuarial Association of Europe