

NOTES OF A MEETING OF THE PENSIONS COMMITTEE

**HELD ON 4 MAY 2018
FROM 9.00 – 16.00 IN WARSAW, POLAND**

Participants

The participants list is added as Annex 0.1.

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

The Chairperson welcomed the attendees.

2. **MINUTES OF PREVIOUS MEETING**

Summary of the Swiss on item 8 has to be amended: the quote “scrapping threshold” has to be replaced by “The Swiss government made some amendments of the legal provisions related with pension plans for salary above a prescribed threshold.”

The minutes of the Copenhagen meeting were adopted.

3. **ACTIVITIES PENSION COMMITTEE**

Gabor gives an update on the recent developments (Falco was to do this, but was not able to attend this meeting), see **Annex 3**.

4. **TRANSPOSITION OF THE IORP DIRECTIVE IN NATIONAL LAW**

UK

Very committed to implementing the directive. A lot of requirements will be met with upcoming legislation. Apart from that some extra requirements will also be implemented. UK will be compliant as of January 2019.

Switzerland

The directive does not apply in Switzerland, because the pensions are seen as first pillar.

Belgium

Pension funds as well as insurance companies have to comply. Governance is being translated and is straightforward. Cross border is not a problem. On communication, Belgium has some problems because the wording on this does not fit to wording currently being used by insurance companies. Insurance companies and pension funds have to use the same texts.

Spain

The first draft for implementing the IORP directive has been published on 3 May 2018. Input can be given until the end of May. In national law the actuarial role is dedicated to actuaries, whereas in the directive this is not.

Finland

Big changes on the financing of the pensions. This is a hot political topic. The pension system itself is exempted from the directive.

Austria

The information is quite good and almost compliant to the directive. Some of the governance topics have to be implemented, but this is no big issue. The actuarial function will probably be split into an internal and an external role with differing guidance.

France

France has no IORP pension funds, but they are still preparing the directive in case of vehicles that want to set up an IORP.

Greece

Only first pillar applies in Greece. Insurance companies have to comply to solvency II. So no effect for IORP II

Hungary

The present legislation is for a big part applicable.

Ireland

At the end of September the government is expected to publish the legislation. The actuarial function will be implemented according to existing legislation where the actuarial society plays a role.

Netherlands

A lot of talks have been done about implementing the Pension Benefit Statement (PBS) and especially the uniform calculation method for projections in the Netherlands. The IORP II directive is for the Netherlands a step back in time as the Netherlands is moving towards less instead of more information in the PBS.

Other remarks

Some remarks were made about the risk management role. Part of this discussion is being done by a task force at the risk management committee. Members of the pensions committee want to be involved in this task force and this should be a joint task force. We will be waiting for members to take place in the working group on risk management role. Members can apply for the next week. It will be a joint working group with members from the pensions committee and the risk management committee.

5. **EIOPA's 2017 EUROPEAN STRESS TEST FOR IORPs**

Jean Francois presents the results of the stress test of EIOPA for occupational pensions. Cashflow analysis is already wide spread throughout Europe. They had a closing meeting at 21 March 2018 on the stress test. Apart from EIOPA and the AAE, Pensions Europe attended. The members in the AAE working group are from Germany, France and the Netherlands. The view of the working group is that the cashflow approach has its merits over the common balance sheet. UK asks how the stress test takes into account an employer going bust. What will then happen to members' benefits if the accrued benefits are not funded? This kind of detail is not being researched in this working group. It would be interesting to look at cases like the Carillion bankruptcy in the UK.

6. **PAN-EUROPEAN PERSONAL PENSION PRODUCT (PEPP)**

Philippe Demol gives an update on the work that Philip Shier has prepared (**Annex 6**). The AAE has set out a position paper on the PEPP. Among the points made there are the following: different prudential regimes because of banks, insurance companies and pension funds can provide the same PEPP. This sets a possible regulatory arbitrage. Other points were made about the difficulties in providing for example the different tax options for the different countries where the product is being accrued depending on the residence of the insured. Also issues on switching providers, decumulation and the information requirements. ECON has asked the AAE to give advice on the cost of the PEPP product. It is not clear when the decision is made to implement the PEPP product by the European Commission. The PEPP will be solely a third pillar product and not a second pillar product. If an IORP wants to use a PEPP the assets have to be separated from the second pillar assets, because different prudential regulation applies. Attention is asked for a possible pan European second pillar DC product as something to be followed after implementing the PEPP regulation. There has been a questionnaire in 2017 about this kind of product. Questions are being raised whether PEPP will hit a big demand.

7. **EDUCATIONAL NOTES**

Cathal gives an update on the process. The draft EAN on the actuarial function in the IORP directive is based on a text of an existing standard from the insurance context and the Professionalism Committee has asked that the language be less formal.

Cathal reviewed the current proposal to the development of an EAN. In the next meeting is September 2018 the working group will come up with a revised version of the EAN.

Questions were asked why there is a proposal for an EAN and not for an actuarial standard as for insurance. Most actuarial societies and supervisors have fed back that there is no need for an actuarial standard because a lot of regulation is already in place.

8. **SOCIAL SECURITY SUBCOMMITTEE**

Chris reports on the meeting held on 3 May in Warsaw.

From the SSSC special interest is being given to talks with Eurostat about 'table 29', reporting on pension provisions for first pillar, the publication of the Ageing Report and the Pensions Adequacy Report. The SSSC is planning to publish a report by the end of 2018. In the coming months there will probably be a meeting between the AAE and DG Employment. Questions were being asked whether it is possible to make this information in different countries be more comparable. The adequacy report does not take into account differences in how pensions, health insurance etc. are being dealt with in different countries. It does show that the situation in different countries has worsened.

Chris' term as being chair of the SSSC will end in September this year. The chairperson thanks him for all his work done for the SSSC in the last 6 years.

9. **COMMITTEE OBJECTIVES AND REVIEW OF TERMS OF REFERENCE**

The terms of reference of the pensions committee are being approved. Although Gabor will check bullets 3 and 4, as to whether these are still applicable.

The social security subcommittee is a subcommittee and not a committee. The mortality task force has not met for a long time.

IAA Chicago meeting

Charles will present in the next meeting interesting information about the funding monograph. At the Berlin meeting in June this year more information will be available.

10. **INFORMATION EXCHANGE**

UK

Due to the Carillion affair there will be possible some strengthening of prudential rulings. Governmental actuary reported about the need for raising the retirement age. Within DC there will be a capital requirement when master trusts are being used.

Switzerland

The conversion rate that has been discussed in the last meeting is still applicable.

Belgium

The portability directive has to be transposed in May this year. Also IDD in pensions has to be included. Apart from this there is a lot of discussion going on about the first pillar.

Spain

Major changes are being made to first pillar pensions. The recent reforms will probably be reversed. Sustainability was a great factor in reforming the system, but there is a movement to increase pension benefit (with inflation/ indexation).

Finland

At lot of changes in the last 10 years. They all will come into effect in the next few years. Maybe there will be some tax reliefs for individual savings.

Austria

In the first pillar there is no disability pension anymore. A severance payment is put in place. 10-15% of the people get back into the workforce compared with the former situation.

Lump sum payments are being offered to individuals as not to have to pay annuities for low

interest rates. People tend to do this because of the immediate need of money.

France

A big pension reform is being introduced in tax deductibility of the contributions to promote savings for retirement.

Also lump sum payments are being introduced as an option apart from the existing option to buy an annuity.

Ireland

A roadmap for pensions for the next 5 years has been published.

The Netherlands

Still a lot of discussion going on for pension reforms. There is a new government in place, so maybe this will give an impulse in moving towards a new pension system.

11. **GDPR RULINGS FOR PENSIONS**

Presentation by Richard Deville and Philippe Demol.

How does the GDPR work out for the use of data and the security of data. Richard gives an example how in normal work as an actuary you cannot gather the information as is, because it has to be anonymized. Also it has to be send via an encrypted transfer. Therefore the data handling is much more formalized than before.

In Belgium GDPR creates an urge for clear responsibility. But this creates risks that have to be measured and prized. Therefore in Belgium it has impact on the solvency for pension liabilities at insurance companies.

Other comments confirm that even as being a subcontractor you need to be aware of the GDPR rulings and describe their processes.

How can data be deleted? There are so many copies of data that it is impossible to delete them.

12. **VALÉRY JOST ON PENSION COSTS**

Via a conference call Valéry Jost explains the last developments on pension costs. The Commission is focusing on costs on investments. The goal is to find a method for measuring costs. After PRIPPs EIOPA has learned that it is important to know what the risks in every product is. It also learned that PRIPPs regulation is a heavy burden for the operation. The last proposal EIOPA presented has addressed the input of experts. The regulation however needs to be more precise on many points.

Gabor will share the document that Valéry has sent to him on this subject (**Annex 12**).

13. **ANY OTHER BUSSINESS**

Jeroen asks for a volunteer for making notes of the following meeting in Utrecht in September 2018. Nobody volunteers right now but there will be some sort of rotation as of next meeting. Next meeting is scheduled during the annual meeting of the AAE at Thursday 20 September 2018 in Utrecht, The Netherlands.

14. **ACTIONS**

- a. Follow-up on GDPR text – everybody, Gábor Borza to summarize
- b. Following up with the Risk Committee about the 2 joint taskforces/ working groups – Gábor
- c. The terms of reference of the pensions committee are being approved. Although Gabor will check bullets 3 and 4, whether these are still applicable – Gábor