

**Notes of a meeting of the Social Security Sub-Committee
held at the NDC DEN HOMMEL, Utrecht on 20 September 2018**

Participants:

Maria Economou (Chair) – Greece
Hartwig Sorger – Austria (Pensions Committee observer)
Philippe Demol – Belgium
Yves Brys - Belgium
Costas Stavarakis - Cyprus
Ismo Risku – Finland
Marianna Papamichail – Greece
Gábor Borza – Hungary (Vice Chairperson Pensions Committee) (observer)
Tibor Parniczky - Hungary
Jeroen van den Bosch – Netherlands
Anne Sundby Magnussen – Norway (Pensions Committee observer)
David Bogataj – Slovenia
Diego Valero – Spain (Pensions Committee observer)
Craig Hanna – USA (American Academy of Actuaries)(observer)

Apologies:

Chris Daykin - (Immediate Past Chairperson) - UK
John Pender - Ireland
Raffaello Marcelloni – Italy
Cinzia Ferrara – Italy
Iñaki de la Peña – Spain
Severine Arnold – Switzerland
John Woodall – UK
Peter Gatenby – UK

1. Opening of the meeting and adoption of the agenda

Maria opened the meeting introducing herself as the new chairperson of the SSSC. Maria thanked the AAE for her appointment and invited the members of the SSSC to continue together the work started by Chris Daykin. The agenda was adopted.

2. Notes of the Conference Call held on 4 September 2018

The notes of the conference call were confirmed.

3. Task Force on Adequacy of Pensions (TFAP)

Maria chaired for last time the TF Adequacy. Powerpoint presentations were given by David Bogataj on adequacy from Long Term Care perspective, by Marianna Papamichail on the impact on Pension Reforms in Greece and by Tibor Parniczky on Automatic Adjustments Mechanisms in the European Pension Systems.

Due to time constraints Maria proposed to discuss the draft of chapter for AAE response to PAR2018 along with the response to publication of the AR2018.

Maria thanked her TFAP colleagues for their contribution in the Task Force and the progress they made together since 2015. She then presented the new chairperson of TF Adequacy Tibor Parniczky wishing him a lot of success.

Tibor thanked for his appointment. He mentioned that the TF will continue its work discussing the balance between sustainability and adequacy. Tibor said that there are a lot of topics of interest among TF colleagues that will also be discussed.

- **Question from the new chairperson of AAE Esko Kivisaari**

Esko entered during the SSSC meeting to mention that: The elections for the new European Parliament would take place next year and in the white paper it should be referred a statement on the actuarial point of view. So he is asking every committee what is considered as important to be mentioned. The response should be communicated no later than October 26. Esko said that he will send (to me) the link for more information.

4. Response to publication of the Ageing Report 2018 (AR2018)

Maria referred briefly to what it is presented in the discussion paper. In specific she referred to the demographic projections, the future pension costs, the pension reforms and the adequacy of pensions. Regarding the costs of health care and long term care she pointed out that these, according to the projections, will keep increasing. She proposed these topics to be included in the committee's future steps' discussion.

Maria made clear what from the actuarial point of view is highlighted in our response and invited the participants to give their feedback.

Costas asked to be critical when referring to adequacy and to consider the risk of poverty level. In his opinion as actuaries we should point out that attention should be given to the different profiles of the individuals.

Jeroen agreed with Costas that attention should be given to the different profiles of individuals since, as he mentioned, the working population has been radically changed. Referring to the case of the self-employed and of the non-standard workers he said that their number in the Netherlands increases. Most of them declare a minimum salary and that not everyone is expected to have pension income. Jeroen made very clear that the picture of the Netherlands in the diagram presented in the Adequacy report, TRR base case 10 years after retirement is not realistic. In addition he referred to a recent research paper on the replacement ratios. According to this paper "the fraction of individuals falling short with regard to their own retirement expenditure goal would almost have doubled during the Great Recession if individuals would not have adjusted their retirement expenditure goals downward".

Tibor agreed with Jeroen and he mentioned that a high number of self-employed declares the

min salary. In Germany he said (as an example) the labour legislation (for the self-employed) has been changed. As an example of how we could approach the number of workers who forced to unemployment he mentioned: from the statistical data we may observe the number of workers before and after the crisis period who declared the minimum salary.

Ismo said that in our response on the adequacy of pensions it should be mentioned that in principle people who cannot manage it throughout their working life then, they will be at a higher risk of poverty as pensioners. He proposed to add in our response a diagram of AROP of the active population and to mention how the change of household type may affect the level of the poverty risk.

Marianna mentioned to check through the replacement rates to what extent these people are protected and how they change if we include housing and /or other potential social benefits. Also it would be essential to consider the evolution of the old age basket of goods and index benefits with a kind of "Old Age inflation"

David referred to the growth of the economy that is expected to be at the level of 1.4%. In his opinion that should be a key point for the future pension costs reduction. He also raised the question to what extent the increase of the normal retirement age makes sense.

Costas repeated that our "key" contribution should be to try to analyse the profile of individuals. In specific: to check who are the wealthy self-employed and who were forced to become self-employed. The key issue he said is 'to look to the provision of the system to include the profile of these people'. We should think of alternative ways to finance them. We should think how to interfere and change the system so that to analyse and accommodate the profile of non-standard employees. We need, he continued, "to understand what is adequate or not" and "what is socially acceptable".

David said that when discussing adequacy we need to consider the home ownership. He mentioned as an example that in Slovenia people are not willing to sell their houses in order to finance a life annuity.

Gabor referred then briefly to the mortgage insurance.

As Tibor proposed the "key messages" to point out should be to refer to the "actual population" i.e. to the different profiles of the different groups of individuals and how as actuaries we could change this.

Costas mentioned to make a step further and "focusing on solutions". However everybody agreed to focus on the points Tibor proposed due to the time constraints and to the fact that this is a "sensitive" discussion in terms that political actions are implied as well.

Costas proposed that at a later stage we could refer to examples; for instance how financing methods could be innovative for self-employed.

The time of finalization and publication of our report on AR2018 and PAR2018 was set at the end of October.

5. Pension Liabilities in national accounts (Table 29 disclosures)

Maria informed the committee members about the re activation of the Task Force on Projections and Methodology. She referred to the discussion paper (chapter 7) highlighting our comments regarding the "closed group" approach and the cross-country comparison. She then invited Costas to speak on the work of TF and to inform the committee about the seminar organised by Eurostat.

Costas referred to the questionnaire and the analysis that should follow.

Marianna asked Costas about the feedback regarding the responses. In her opinion the countries that had already responded should have been mentioned while their responses should have been already distributed.

Costas replied that he is waiting for all the responses and then he is planning to work on the basis of these responses. The outcome would be then distributed to the committee members.

Marianna asked to have the feedback of the countries that responded. Costas named those countries and he said that he is not fully certain if he can send the feedback of the countries "outside the TF".

Maria then asked him to send an email (cc to her) to those colleagues asking if their responses could be circulated.

The other participants said that they can wait in order to receive the outcome Costas will

prepare.

Costas informed the committee that the workshop with Eurostat will take place in the first quarter of 2019. This is because Eurostat has not communicated the results yet. These will be published after all countries will publish their accounts.

Task Force Mortality

Maria informed the committee members that David volunteered to be chair of the TF Mortality. She thanked David and she mentioned that the activation process will directly start after our meeting.

6. Future meetings

It was agreed to have a conference call around mid-October in order to discuss about the finalisation of our report on AR2018 and PAR2018.

Maria asked for another face to face meeting in Sofia in April 2019 within the other committees' meetings.

Maria mentioned that meetings with DGEcfm, DGEmployment and other organizations and stakeholders should be attempted following the publication of our report.

7. Close of the meeting

Maria thanked the participants for their attendance and their contribution to the discussion items.