

NOTES CALL PENSIONS COMMITTEE 21 JANUARY 2018

Participants

Philippe Demol (Belgium)
Falco Valkenbourg (AAE Vice-Chair)
Charles Cowling (UK)
Hans Michael Øvergaard (Norway)
Frank Cerderbye (Denmark)
Richard Deville (France)
Tatiana Bitunska (Bulgaria)
Hartwig Sorger (Austria)
Jeroen Van den Bosch (Netherlands)
Cathal Fleming (Ireland)
Gabor Borza (Hungary)

1. Opening of the meeting and adoption of the agenda

The agenda was adopted. Jeroen mentioned that the dial in details sent by Monique were different to those sent with the agenda by Maitane so that some people might have missed the call because of that reason.

Cathal agreed to provide an update of the EAN1 under Any Other Business.

2. Thanks to the Vice-Chairperson

Maitane thanked Gabor Borza for all his work substituting her as a Chairperson of the Pensions Committee during her maternity leave during 2018.

3. EIOPA 2019 Stress Tests and pension cashflows

The topic of the cashflows was introduced. EIOPA wants to use a cashflow analysis for the 2019 Stress Tests on top of the valuation of the liabilities. The AAE Board is looking at the AAE position and there is no consensus on how the cashflows should be used because consistency with Solvency II is at stake. Insurance and Risk Management Committees may have different views (on the length of the cashflows to be used for example) this is why Falco will introduce the topic with them, preferably before the spring meetings. This topic will be discussed in the joint meeting in April.

Jeroen asked what the process for the EIOPA 2019 Stress Tests was. Falco answered that there have already been some discussions between the AAE and EIOPA about this topic.

EIOPA is preparing a cashflow specification. Next informal consultation from EIOPA will start shortly and will last for 3-4 weeks. During the first 2 weeks of April, the EIOPA Board will make a decision regarding the cashflow approach. After that, a technical consultation of 2 weeks will be open. Within the AAE, the Board is looking for a common view on this topic. Everybody agrees that the cashflow approach is useful, but the question is how it is applied.

Charles added that the cashflow analysis is valuable but you also have to allow for the risk of the sponsor disappearing. There is a strong correlation between undervalued cashflows and the risk to fail. He also asked what the purpose of the calculations was.

Falco responded that the purpose was to analyse the likeliness of the pension scheme to deliver its promises. It was agreed that the two-page note on cashflows prepared by Falco would include a definition of the purpose of the cashflow analysis, as well as mentioning that the risk of the sponsor should be analysed too.

Frank mentioned that it was hard to define a cashflow analysis for different IORPS because the underlying assumptions can be very different. Falco agreed but suggested that you have the same problem with the valuation, at least you do not have the problem about the discount rate for the cashflows, as they are not discounted. EIOPA had suggested a common European approach to harmonise the valuations across Europe but stakeholders rejected this. Tatiana asked about point 9 in the document (assumptions setting) and by when should we suggest these assumptions. Falco clarified that this year's assumptions will be provided by EIOPA, this point is just a suggestion for the future.

Hartwig pointed out that the cashflow analysis was very good for the ORA, but the company in this case should set the assumptions.

It was agreed that the paper prepared by Falco would be shared with the IC and RMC, and that the potential different views on how to address the cashflow analysis will be discussed in the joint meeting in Sofia in April.

4. Review of ToR

Gabor is working on this and will present the proposal in April.

5. SSSC Discussion Paper on the Aging Report

Maitane informed that the paper was approved by the Board and that it will be published in January. Maria Economou, Chairperson of the SSSC will present this paper in the ECA 2019, which will take place in Lisbon in June.

6. Minute taking for next meeting in Sofia

According to a Board request, a member of the Committee should take minutes. During 2018, Jeroen and Cathal took the minutes for the spring and Annual meetings, so it was suggested to create a list for minute taking. An option would be to use the AAE Pensions Committee mailing list as a starting point, having the person after Cathal taking the notes for the spring meeting. This list can be found here https://actuary.eu/wp-content/uploads/2018/11/AAE_Pensions@lists.actuary.eu_.pdf

7. ECA 2019 - 3rd European Congress of Actuaries <https://www.eca2019.org/>

Maitane encouraged the delegates to attend the European Congress of Actuaries in Lisbon. Falco and Maitane confirmed their assistance. Gabriel Bernardino, Chairman of EIOPA, will be one of the key note speakers. Early bird registration is open until the end of February.

8. Any other business

- Cathal shared the status of the EAN1. During the last meetings in Utrecht, even though the PC was happy with the note, the Professional Committee did not accept it due to the formatting and language, as they would prefer something less formal. They did not have any comments on the content of the note. Cathal expects to have a revised version by the second half of March.

- Philippe mentioned that the Belgian Academic Pension Council is looking at the evolution of pensions, and more specifically to the individualisation of private pensions and the development of the third pillar.
- Tatiana will share the details to participate in a colloquium dealing with demographic and pension scheme problems that will take place in the coming weeks. She will ask Monique to share the details for those who want to participate.
- Next PC meeting will take place in Sofia 11-12 April.

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