

NOTES OF A MEETING OF THE PENSIONS COMMITTEE

**HELD ON 20 SEPTEMBER 2018
FROM 13.00 TO 18.00 IN UTRECHT, NETHERLANDS**

Participants

The participants list is added as **Annex 0.1** at the end of these minutes.

Note: references to annexes displayed in **bold** are attached to these minutes. References to annexes not displayed in bold were attached to the agenda and are not included in these minutes.

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

The Chairperson welcomed the members to Utrecht and thanked the Het Koninklijk Actuarieel Genootschap (Royal Dutch Actuarial Society) for hosting the meeting.

The agenda was adopted. A copy is attached as **Annex 1**.

- 1.1 Jeroen van den Bosch agreed to take the notes until Cathal Fleming arrived.

2. **MINUTES OF PREVIOUS MEETING**

The Minutes of the meeting held in Warsaw on 4 May 2018 were confirmed with one amendment – clarification on the text for France under item 4 on IORP directive.

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

The Chairperson reviewed the strategic objectives for 2018 and terms of reference of the Pensions Committee (Annexes 3a and 3b). He advised that the Board of the AAE will oversee the consistency of the terms of reference between the different committees. David Martin suggested that the Chairperson consider discussing this point further with Falco Valkenburg if there are any questions. There were no comments from the Committee.

4. **PENSIONS COMMITTEE STRUCTURE**

The Chairperson reviewed the pensions committee structure (Annex 4). It was noted that the structure needed to be amended to include the projections task force.

A question arose as to the difference between a task force and a working group. David Martin advised that there is a document which explains the difference. It was agreed to have the task forces and working groups on the same line in the chart.

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

Philip Shier joined the meeting by video conference and provided an update on the regulation for the PEPP (**Annex 5**). He summarised the activity to date which started with the European Commission (EC) issuing a draft regulation in June 2017. The Council agreed a compromise in

June 2018 and the Economic and Monetary Affairs Committee (ECON) of the European Parliament approved its negotiating mandate on 1 September 2018.

The AAE had produced a discussion paper earlier in the process and Philip reviewed the different positions being taken on the following items by the EC, EP and AAE:

- Providers
- Portability/National compartments
- Accumulation phase – Investment options
- Change in Investment strategy/Switching of PEPP providers
- Decumulation
- Information requirements

Following a discussion on potential next steps by the AAE, it was agreed to prepare a note to reflect AAE comments on the positions being taken by the EC and EP.

6 Educational notes

Cathal Fleming reviewed the latest draft of the European Actuarial Note (EAN1) on the actuarial function for IORPs II (Annex 6). The main change has been to the formatting so that the document looks more like an educational note than a standard. The content remains largely unchanged.

Cathal advised that there was a proposal to develop the EAN being presented to the professional committee tomorrow and the latest draft had also been shared with them. David Martin explained that technical input is required from the pensions committee and the professional committee only consider the readability of the note.

Charles Cowling suggested that some text be added to capture the purpose of technical provisions and what happens when an insolvency event occurs. David Martin suggested that any suggestions be provided as part of the consultation with member associations.

7 Social Security Sub-Committee

Maria Economou provided an update on the work being carried out by the Social Security Sub-Committee.

Costas Stavrakis reviewed a presentation on the reporting obligations of social security schemes in the EU. The presentation covered the two EU reporting frameworks of pension obligations, Ageing Working Group of the Economic Policy Committee and Eurostat ESA2010, the methodological approach being taken by the two reports (open and closed) and the key challenges for the assessment of pension obligations given the different approaches with an example being provided for Cyprus. The presentation also set out the contribution of social security actuaries and the leading role that the Social Security Sub-committee can provide. The presentation is attached as **Annex 7**.

8 Links with other organisations

8.1 The Chairperson reviewed a note (Annex 8.1) identifying the many contacts with external parties, stakeholders and member associations since the last meeting in Warsaw.

8.2 The minutes of the IAA Pensions and Employee Benefits Committeed held in Berlin (Annex 8.2) on 31 May and 1 June 2018 were noted. Charles Cowling provided an overview and highlighted

the main items - funding monograph, the role of actuaries in DC plans, IFRIC 14 and the interaction with the OECD.

9 **Information exchange**

France

- New law for tax relief on pension contributions to incentivise higher savings

UK

- Government consultation on strengthening support for employee benefits following employer collapses recently
- Possibility that a standalone vehicle will be created to take on defined benefit scheme from employer
- Auto-enrolment has reached the stage where everybody who is eligible to be in a pension scheme is in a pension plan but contributions will have to increase

Spain

- New government in place and looks like pension reforms will continue

Finland

- Financing model for healthcare is changing

Denmark

- Some tax related changes in progress and proposal to reduce state pension by private savings

Bulgaria

- Social Welfare working group reviewing format of payout on pillar 2 pension for those born after 1960 with lifetime annuity under consideration
- Amendments to pension and insurance code under consideration

Ireland

- Following on from the publication of the Government's road on pension reform, consultations being held on auto-enrolment and simplification of pension arrangements

Austria

- Actuaries published mortality table which shows people are living longer but lower rate of improvements
- Consolidation process continuing in IORPs with reduction from 28 to less than 10
- Tax law being reviewed from 2020 and not sure whether it will apply to pensions

Slovenia

- Changes being planned to Pillar 1

Netherlands

- New pension system under discussion
- Actuarial society published new mortality tables with rate of improvements slowing

Switzerland

- Proposal to reduce the minimum interest rate on employee contributions from 1% to 0.75%

10 **Activities pensions committee**

The Chairman provided an update on the activities of the pensions committee since the last meeting in Warsaw.

11 **Transposition of the IORP Directive in National Law**

UK

- Committed to implementing the IORP directive but no legislation published yet

Spain

- IORP to be implemented

Finland

- Implementation of IORP is in progress

Denmark

- Not many IORPs but expect legislation

Ireland

- Await IORP legislation

Austria

- IORP legislation to be implemented from 1 January 2019

Slovenia

- 3 types of IORP – pension company, mutual funds and insurance companies. Actuary can be internal or external.

Hungary

- IORP legislation in progress, only one IORP.

Netherlands

- Legislation published for consultation and expected to be enacted later in 2018

12 EIOPA's 2017 European Stress Test for IORPs

- 12.1 Falco Valkenburg informed the meeting that the AAE had participated in the closing event in March 2018 and highlighted that the cashflow approach would be useful. EIOPA had formally decided to form a technical group on cashflow specifications at its June 2018 meeting.
- 12.2 Falco Valkenburg reviewed a one page document (Annex 12.2) setting out a view on a cash flow approach to assess the financial risks of IORPs. Following a discussion, a number of revisions were suggested to the document including adding a description of the cashflow methodology and a background section highlighting that the purpose of the cashflow methodology is to improve the stress test.
- 12.3 Falco Valkenburg reviewed a one page document (Annex 12.3) setting out a view on the own risk assessment for IORPs. Given time constraints, discussion was deferred on the document and it was agreed to consider it further, possibly by conference call, after discussing it at the joint meeting with the Risk Management Committee tomorrow.

13 EIOPA Occupational Pensions Stakeholders Group

Falco Valkenburg provided an update on the topics discussed at the May and July meetings.

14 Cash Flow method

- 14.1 Niels Kortleve reviewed a presentation on the cashflow method with a view to setting out some suggestions and possible input for developing cashflow analysis for EIOPA's stress tests for IORPs in 2019. The presentation outlined the added value that cashflow analysis can bring, suggestions as to how cashflow analysis can play a more important role in EIOPA's stress tests in 2019, the requirements for carrying out a cashflow analysis including some scenarios, the horizons for the analysis and what to do at the end of the horizon.
- 14.2 The presentation from Jean Francois Gavanou was deferred due to time constraints.
- 14.3 There followed a good discussion and the next step is to hold an informal meeting with EIOPA and Pensions Europe.

15 **Any other business**

There was no other business identified.

16 **Joint meeting risk management, insurance and pensions committees**

It was noted that a joint meeting of the risk management, insurance and pensions committees was scheduled for Friday 21 September 2018.

17 **Date of next meeting**

The next meeting will take place on Thursday 11 April 2019 in Sofia, Bulgaria at the invitation of the Bulgarian Actuarial Society.

Annex 0.1

Participants Pensions Committee meeting Utrecht, The Netherlands 20 September 2018

	First name	Family name	Country	Nominating association	Role
1	Tatiana	Bitunska	Bulgaria	Bulgarian Actuarial Society	Delegate
2	David	Bogataj	Slovenia	Slovensko Aktuarsko društvo	Delegate
3	Gábor	Borza	Hungary	Magyar Aktuárius Táraság	Vice-chairperson
4	Lionel	Candaux	Switzerland	Association Suisse des Actuaire	Delegate
5	Frank	Cederbye	Denmark	Den Danske Aktuarforening	Delegate
6	Charles	Cowling	United Kingdom	Institute and Faculty of Actuaries	Delegate
7	Philippe	Demol	Belgium	Institut des Actuaire en Belgique	Delegate
8	Richard	Deville	France	Institut des Actuaire	Observer
9	Maria	Economou	Greece	Hellenic Actuarial Society	Chair SSSC
10	Cathal	Fleming	Ireland	Society of Actuaries in Ireland	Delegate
11	Jean-François	Gavanou	France	Institut des Actuaire	Delegate
12	Craig	Hanna	U.S.A.	American Academy of Actuaries	Observer
13	Ad	Kok	Netherlands	Actuarial Association of Europe	AAE Secretariat
14	Niels	Kortleve	Netherlands	Koninklijk Actuarieel Genootschap	Guest speaker
15	Mika	Mäkinen	Finland	Suomen Aktuaariyhdistys	Delegate
16	Rafael	Marconi	Brazil	IBA	Observer
17	David	Martin	United Kingdom	Institute and Faculty of Actuaries	Chair ProfC
18	Marianna	Papamichail	Greece	Hellenic Actuarial Society	Delegate
19	Tibor András	Parniczky	Hungary	Magyar Aktuárius Táraság	Delegate
20	Gábor	Pásztor	Hungary	Magyar Aktuárius Táraság	Observer
21	Ismo	Risku	Finland	Suomen Aktuaariyhdistys	Observer
22	Hartwig	Sorger	Austria	Aktuarvereinigung Österreichs	Delegate
23	Costas	Savvakis	Cyprus	Cyprus Association of Actuaries	Guest speaker
24	Diego	Valero	Spain	Col.legi d'Actuaris de Catalunya	Delegate
25	Falco	Valkenburg	Netherlands	Koninklijk Actuarieel Genootschap	AAE Board
26	Jeroen	van den Bosch	Netherlands	Koninklijk Actuarieel Genootschap	Delegate