

MINUTES 10/10/2019

1. OPENING OF THE MEETING AND ADOPTION OF THE AGENDA

- 1.1 To consider any matters arising not covered elsewhere as substantive items on the agenda.

Mrs. Maitane Mancebo, as Chairperson of the Pensions committee, welcomed the members to Vienna and thanked the Austrian Actuarial Society for hosting the event. The agenda was adopted. A copy is available on the website.

The list of participants is attached to these minutes as Annex 1.

- 1.2 Introduction of the note-taker.

Introduction of Mr. Javier Olaechea as note taker.

2. MINUTES OF PREVIOUS MEETINGS

To confirm the Minutes of the meeting held on 11 and 12 April 2019 in Sofia (Annex 2).

Maitane opened the meeting and presented the meeting agenda and the minutes of the last meeting. Minutes were accepted without any changes.

3. VICE-CHAIRPERSON

To confirm the re-appointment of Gábor Borza as Vice-Chairperson of the Pensions Committee.

Mr. Gábor Borza was confirmed as Vice-Chairperson.

4. PAN-EUROPEAN PERSONAL PENSION PRODUCT (PEPP)

To note further activities regarding the PEPP Taskforces being formed to address the development of Regulatory Technical Standards (RTS) as required under the PEPP Regulation.

Mr. Philip Shier gave a brief summary of the Pan-European Personal Pension Product (PEPP) situation. The [Regulation \(EU\) 2019/1238 of the European Parliament and of the Council of 20 June 2019 on a pan-European Personal Pension Product \(PEPP\)](#) was published on 25th July and get into force on 14th August.

EIOPA's deadline to develop the Regulatory Technical Standards and Delegate Acts is 14th August 2020. Philip informed that the AAE activity is focused in three of the RTS: Key Information Document (KID), Benefit Statement (RS), and Risk Mitigation Techniques (RMT). There is a working group for each of them, and the purpose is to prepare a document for late November or early December. There is a meeting with EIOPA scheduled on December 17th.

The AAE will aim to provide ideas, pros/cons, but will avoid stating what is right and wrong.

Phillip also took the opportunity to share the IAA survey on pension fund disclosures in relation to ESG. A few European countries had already responded, but more are encouraged to do so.

5. EDUCATIONAL NOTES

To receive a summary of the comments received by the Member Associations (Annex 5.1, 5.2 and 5.3).

Mr. Cathal Fleming informed that following the Professionalism Committee's proposal, a survey had been launched and there have been 13 associations from 12 countries that have answered the questions to the EAN. According to the answers, associations prefer an Educational Note rather than a Standard. This was consistent with what the working group working on this topic at the time had decided.

The consultation had also asked associations for comments on the draft Educational Note. Cathal reviewed the comments received and the proposed amendments to the draft Educational Note. Mr Charles Cowling suggested that it would be useful for the Actuarial Function to consider the purpose of the IORP and the purpose of the Technical Provisions having regard to the impact on member benefits and the level of support available from the sponsoring employer. He agreed to work with Mr Fleming to include text to capture these points. The Pensions Committee approved the revised note subject to the additional text being included to reflect Mr Cowling's comments.

Next steps would be for the current EAN proposal to be approved by the Actuarial Standard Subcommittee and the Professionalism Committee and finally for the General Assembly to approve it. The General Assembly could approve this by electronic vote before the September 2020 AAE Annual meeting.

6. IORP DIRECTIVE: TRANSPOSITION

To receive an update of the infringement procedures launched by DG FISMA for incorrect implementation of the IORP II Directive.

The DG FISMA (DG for Financial Stability, Financial Services and Capital Markets Union) has launched an infringement procedure this year. Mrs. Maitane Mancebo explained the infringement procedure, and opened a round of members to explain the situation of each country. For some of the countries this infringement procedure was launched just because of some delay/procedural mistake (i.e. late official publication of the transposition) in the implementation (Bulgaria, Germany, Netherlands, Sweden, France). In Ireland, a group of Trustees has taken a court case against the Government to try to block transposition of the IORP directive due to fears about the impact on smaller schemes. This may be delaying the publication of the transposition. Spain has not made any advance, most likely due to the lack

of Government. Some other countries like Cyprus or Norway are expected to adopt it with some delay. In Portugal, the adoption seemed to be stopped due to incoming elections.

7. INTERGENERATIONAL FAIRNESS

To address the topic and how it can be developed within the AAE PC.

Mrs. Mancebo explained EIOPA has shown interest for the Intergenerational Fairness topic through the IORP II Directive. Actually, the IORP II Directive establishes in its article 7 as a general principle that IORPs shall have regard to the aim of having an equitable spread of risks and benefits between generations in their activities.

Mrs. Mancebo said that the AAE should stay objective, describe the issue and provide the actuarial tools to calculate the potential differences between generations. How to do that was the question that the Pensions Committee have to answer. One of the problems to face to was how to define what a generation is, and what fairness is.

After a round of debate, there was a common view that the Pensions Committee should prepare a paper on this topic. The subject being so wide (it could involve social security pensions, private pensions, insurance, etc.) it was decided to focus in some specific topics related to IORPs. France proposed to look at three specific topics to start with: SAA, the "revolution of pensions" and how the contribution rate was calculated. There was however a big interest shown by the Social Security Subcommittee and some of its delegates may start working on this topic from the first pillar pensions' point of view.

Mrs. Mancebo proposed to close the cash-flow working group and create a new working group for this issue. Nevertheless, the Committee showed an interest to receive a short paper from the Cashflows TF before its closure and recommended to create an "Intergenerational Fairness" Task Force. The chairperson was going to contact the people who had shown interest in the Intergenerational Fairness survey to form this TF.

8. STRESS TESTS 2019

To note the timeline of the Stress Tests taking place during 2019.

The results of the Stress Test of EIOPA are not available yet. They would be in December and the Pensions Committee would be expected to provide its views on the results.

9. SOCIAL SECURITY SUBCOMMITTEE

To receive a report from Maria Economou on the work of the Social Security Sub-Committee.

Mrs Economou summarised the work done by the SSSC. The Task Force on Adequacy of Pensions had analysed the publicly available data useful to

address the adequacy topic, and also discussed topics like what adequacy was. The Mortality Taskforce had prepared a document on mortality literature. The SSSC was very interested in the Intergenerational Fairness topic. The Task Force Methodology and Projections led by Costas Stavrakis is helping Eurostat with the Table 29 topic related to Social Security Pension Schemes disclosures.

10. WEBINARS

- 10.1 To receive feedback from the AAE webinar held on Tuesday 25 June 2019 and in the PBSS Webinar on Friday 4 October 2019 on 'Meeting the Challenge of Ageing in the EU'.

AAE held a webinar "Meeting the Challenge of Ageing in the EU" on 25 June 2019. The seminar was based on a discussion paper "Meeting the Challenge of Ageing in the EU" written by the Social security subcommittee. There is a positive feedback for AAE, but there were some complaints about the limit of the registered users for the webinar.

- 10.2 To discuss potential topics for a webinar to be organised in Q1 2020 (IORP Stress Test 2019).

There will be a webinar of the EIOPA Stress Test results on Q1 2020.

11. LINKS WITH OTHER ORGANISATIONS

- 11.1 To note the overview of meetings with external stakeholders (2019 Q2 attached as Annex 11.1).

Falco Valkenbourg, Maria Economou and Maitane Mancebo visited Anna Carla Pereira and Valdis Zigorskis from DG Employment on June 14th. Mrs Economou had presented the topic of the Aging paper that the SSSC had published this year, which DG Employment appreciated. In the current environment of Commission changes, they did not have a clear view of what their priorities were going to be. When the Intergenerational Fairness discussion was brought up during this meeting DG Employment mentioned that they would be grateful to see any discussion papers published by the AAE.

Mr Charles Cowling mentioned that next time it might be a good idea to bring some topics to them to see which was of most interest for them so then the PC could focus on it.

11.2 IAA

To receive an update from Charles Cowling of the IAA Pensions and Employee Benefits Committee held in Washington on 17 May 2019.

The Committee had prepared a monograph on second pillar pensions funding, and was also working on collecting information on how countries dealt with the ESG disclosures.

A paper on the role of actuaries in DC systems was being produced and the participation from the countries which had not done so yet would be welcomed.

There was a group working on the amendments to IAS19.

11.3 EIOPA OCCUPATIONAL PENSION STAKEHOLDERS GROUP

To receive an update prepared by Falco Valkenburg on the work of OPSG (Annex 11.3).

Mr. Falco Valkenburg informed the topics of the meetings of May and June. He also did it relating to the next meetings scheduled (October 24th and November 26th, this one a joint meeting of the Occupational Pensions Stakeholder Group, Insurance and Reinsurance Stakeholder Group, and the Board of Supervisors of EIOPA)

12. VISION AND VALUES OF THE AAE

To consider and ultimately document in brief how the work of the Pensions Committee is effective in contributing to the well-being of society and showing concern for the public interest.

Mr. Mancebo reminded that one of the AAE's objectives is to contribute to the wellbeing of the society. The question is how the Pensions Committee could contribute to the achievement of that objective. Some ideas are given, such as what is being doing by supporting EIOPA and other stakeholders.

Mr. Falco Valkenburg underlined that we are already doing it, but it is needed to emphasize this statement to do our profession more recognized, and asked for remind it in our works for the AAE.

It was agreed that any future papers by the Pensions Committee would include a short statement on how that work was helping the wellbeing of the society.

13. INFORMATION EXCHANGE

To exchange information on current issues in member associations of interest to other members. (Members are invited to send a note of any current issue for circulation to the Committee before the meeting, especially if they are unable to attend).

- Austria: No changes. New Government recently elected.

- Romania: No changes, but there is a technical debate about having a DC scheme for everybody and DB only for a small part of the population.
- Belgium: No changes as national government is not yet appointed.
- Bulgaria: Regulation for the payout phase of the second pillar still ongoing. Main issue is how to provide a lifetime guaranteed pension (0% return). Actuaries were being consulted on these topics by the Government.
- The Netherlands: After 10 years, there was an agreement on a new pension's system. This system was a pure DC with contributions to buy annuities, which prices can move. Nevertheless, due to the current interest rate low levels, 40-80 pension schemes will have to reduce benefits this year (which could represent a decrease of 3-5%). Population has interpreted this a consequence of the new pensions system, which was still not in place, which could bring problems to its implementation.
- Norway: Developing 2nd pillar for the public sector.
- Portugal: Waiting for IORP II approval this year.
- Ireland: Waiting for IORP II approval, but there were some Trustees already taking the case to court.
- UK: Government was not doing anything else than Brexit. There is no pension's debate.
- Sweden: Risk requirement for IORPS was set to 97%. Period of 5 years for implementation into Solvency II level.
- Switzerland: The maximal discount rate directive had changed from a maximum of around 2%, to the average of the last 12 months plus a margin of 0.5%.
- Spain: Debate public-private pensions. Social Security is in deficit for the last 8 years. 98% of GDP as debt. No decisions on pensions rather than increase them. Companies try to develop second pillar. New longevity tables are being analysed by regulator.
- Iceland: Private sector fully funded DC system. OLD DBs had been converted into DC system 2 years ago. Pensions plan are being unpopular because of changes. Still have high interest rates. NRA was 67 and it may need to increase.
- Greece: Elections and new government soon. Fighting hidden economy. Self-employed pension schemes had changed.
- Germany: There is a new option to have a new DC systems but no union wants to develop them. Unions want power in the systems. Interest rate over 0%
- France: Macron is trying an aggressive pension's reform. Replaced 42 pensions' regimens under public sector to one universal scheme. Obligation of second pillar for high salaries.

14. ANY OTHER BUSINESS

No points were raised

15. JOINT MEETING RISK MANAGEMENT, INSURANCE AND PENSIONS COMMITTEES

To share feedback of the joint meeting of the RMC, IC and PC scheduled on Thursday 10 October 2019.

Mrs. Mancebo that apart from the Intergenerational Fairness topic introduced in this meeting too, the joint committee were debating how to deal with the negative discount rates in the disclosures produced by the actuaries. An statement on what negative rates meant and how did these impact the results would be encouraged from the AAE

16. DATE OF NEXT MEETING

The next meeting of the Pensions Committee will be held on Thursday 2 and Friday 3 April 2020 (tbc) in Bratislava, Slovakia, at the invitation of Slovenská Spoločnosť Aktuárov.