

MINUTES OF THE VIRTUAL MEETING OF THE PENSIONS COMMITTEE

HELD ON THURSDAY 2 APRIL 2020 FROM 15.30-17.30

The participants list can be found at the end of these minutes as Annex 0.1.

1. OPENING OF THE MEETING AND ADOPTION OF THE AGENDA

Jeroen opened the meeting introduced himself and asked every participant to introduce him/her self as well. The agenda was adopted.

Apologies:

Maitane Mancebo – Spain (chairperson Pensions Committee)

Gábor Borza - Hungary (vice-chairperson Pensions Committee)

2. MINUTES OF PREVIOUS MEETINGS

- Jeroen asked if the minutes of the previous meeting in Vienna could be confirmed.
- Jean-François asked the word revolution to be replaced by the word revaluation on the 3rd paragraph of the section 7, Intergenerational Fairness.
- Lionel asked to amend the information of Switzerland in section 13, Information Exchange, as follows: "Switzerland: The maximum discount rate directive had changed from a maximum of around 2%, to the average of the 10 Year Government bonds interest rates of the last 12 months plus a margin of 2.5%".

3. CHAIRPERSON

Jeroen informed the participants that the chair of Pensions Committee, Mrs Maitane Mancebo, will step down after the AAE meetings in Munich and asked if there is some feedback on this topic.

Philip said that, as expected, the nomination panel will inform the AAE about the new chair early summer. At present the nomination panel interviews the candidates.

4. PAN-EUROPEAN PERSONAL PENSION PRODUCT (PEPP)

- Philip provided an update on activities regarding the PEPP regulation.
- Hartwig pointed out that this is not a pension product but mainly a savings product.
- Jeroen asked if it is tested to what extent the consumers understand the risks of this product.

- Philip replied that a consumer testing is quite a project and it is outsourced to academics. In Ireland, Spain and Croatia they will offer digital presentations to groups of consumers asking proper questions.
- Jeroen asked about the connection between EIOPA and IORP, in order to show to people certain results.
- Philip said that there is a reasonable cross section.
- Jeroen mentioned that in the Netherlands there is a lot of testing showing these scenarios and Philip confirmed that "the more info the better is".
- Jeroen asked about the Risk mitigation techniques; what would be used the most?
- Philip mentioned that in Ireland Guarantees are considered. He also thinks, he said, that: "what is provided to the consumers should be "digestible" by them. Philip clarified that the following step is to provide the commission the technical standards for approval.
- Falco confirmed that the deadline for EIOPA to develop RTS is on the 14th August 2020
- Jeroen pointed out that the use of different projection methods can and probably will result to contradictory outcomes between countries. In PRIIPs, IORP II and PEPP different techniques are used for calculating the pension projection on the Benefit Statement. This is an issue, he said, on which we, as actuaries, should look at. Jeroen will bring this item for further discussion to the chairs of the Social Security Sub Committee, Pensions Committee and the Insurance Committee in order to decide in which committee this is to put forward.
- Philip said that: Different providers for different products are accepted independently of figures. If you end up, he continued, with a figure that is market consistent the assumptions change as the market changes. Philip's opinion is to provide the consumers with benefit statements. He agreed on that there is balance if long term assumptions are considered. However, he said the objective is to give the opportunity these assumptions to be somehow in line with the market assumptions. Regarding the role of the AAE, Philip said that if an opportunity for the AAE arose, the AAE is happy to continue. At present though this is in the stakeholders' hands.
- Falco informed the participants that another meeting has been scheduled in May and then a new stakeholders' group will take over. EIOPA is interested in the risk mitigation mechanism and how to assess it. For this purpose EIOPA will have a meeting with academics.

5. EDUCATIONAL NOTES

Cathal referred to the discussion at the last meeting and advised that he had worked with Charles Cowling to update the draft note to reflect the points that were discussed in Vienna. The latest draft was included with the meeting papers. He advised that this had been shared with the Actuarial Standards Subcommittee of the Professionalism Committee and he pointed out that according to the comments he received, the language should be improved in a couple of areas, particularly on the insurance arrangements in section four. Cathal said that he will be reflecting all the comments received and he will share it with the Pensions Committee before submitting it to the

Professionalism Committee for approval. The next step is then to submit the paper for approval in the General Assembly in the next AAE meetings in Munich.

6. IORP DIRECTIVE: TRANSPOSITION

- Jeroen mentioned that after the IORP II directive was in place a lot of countries didn't implement the directive correctly. During the last meeting in Vienna it seemed that most countries did implement the directive so he proposed to skip this item unless participants had remarks on this item.
- Cathal said that no further steps were made in Ireland due to the recent elections.
- Falco said that in the Netherlands there were some formal complaints on how it was transposed. He mentioned the replacement of the percentage of the number of employees who have to agree for the transfer of a Pension Fund to an Insurance Company; 50% replaced by 2/3.
- Everybody agreed to proceed with the next item.

7. INTERGENERATIONAL FAIRNESS

- Jeroen gave an update on the above project. He informed the committee about the new TF launched after the meetings in Vienna with Agnes Joseph and him leading the Taskforce together and Agnes being in charge of the content of the paper. Two months ago a Conference Call took place in order to discuss on how to go ahead. As he said a definition of Intergenerational fairness has to be set; the definition of Intergenerational fairness should be as neutral as possible. Jeroen asked input from all members about a) the techniques used to measure intergenerational fairness in their country and b) the most relevant issues on intergenerational fairness in pensions in their country. Jeroen asked all our colleagues to respond by April 10 at the latest. As he clarified the AAE will not comment on if something is fair or not since this depends on a lot of subjects with social contexts and on individual perspectives. If within a country an issue is considered fair or not, that may also depend on specific circumstances.
- John confirmed on what Jeroen mentioned about this subject.
- Falco pointed out that we, as AAE, should try to work on this topic in an efficient way without giving judgement on what is fair or not. This subject, he said, is high on the agenda of the politicians.

8. STRESS TESTS 2019

- Falco referred to the EIOPA –Closing event IORP stress test 2019 last January, where the EIOPA chair Gabriel Bernardino was present. The equity he said, had a negative return while the interest rates decreased. In order to increase the risk premiums, all sensitivity scenarios are needed. They are now moving from a 2 to 3 year period of stress test, so that the modelling becomes better. In EIOPA the methodological group which is involved set 5 objectives. 1. To improve the tools. 2. To clarify the differences between objectives. 3. To extent to the cash flow methodology in order to see the gap in depth 4. To see a more integrated approach between Defined Benefit and Defined Contribution schemes through the cash flow methodology; the tendency is for

more hybrid mechanisms, for a more holistic approach. 5. To measure risks in a more effective way; to improve risk management.

- A new stress test will take place in 2022. EIOPA expects to develop the 5 objectives in this year. Next year will meet ECB in order to look at the results and check if there are some gaps even in the base line scenario. IORP can sustain market volatility in a long term.
- Falco referred to the Green investments and to the environmental approach in the Cash flow analysis followed by all European countries besides Greece.

9. SOCIAL SECURITY SUBCOMMITTEE

- Maria gave an update of the work of the Social Security Sub-Committee. In specific she pointed out the following: a) The committee will prepare a paper regarding our future role as actuaries; what we wish to achieve in a short and in a longer term. The paper will be discussed and finalized in the next committee's meeting in Munich. b) The TF Adequacy will start the discussion on the specific topics the TF is planning to focus for the next Ageing report and the next Pension Adequacy Report. c) The TF Mortality finalized the paper on mortality literature review and started already the discussion regarding the comparison of the 2015 and 2018 Eurostat population projections. The TF will prepare a synopsis highlighting the findings of this comparison for the next committee's meeting in Munich. d) The TF Methodology and Projections is finalizing its work for the Eurostat technical manual that should be launched in the coming months. Maria clarified that due to COVID-19 the deadline for launching the manual, in early April, was postponed till late June. e) The committee will contribute to the Intergenerational Fairness topic; Maria confirmed that she has already circulated the questions of the TF Intergenerational Fairness. f) Maria referred to the presentation of Gregorio Gil de Rozas regarding the initiative of the Spanish Actuarial Institution to set up a Social Security experts' panel in order to analyse the financial status of the Spanish system and to share with the society their conclusions. This initiative, she said, was a big success. Maria mentioned that Falco will discuss this idea as an example for learning from each other.
- Jeroen confirmed that Falco will put this topic on the agenda of the presidents meeting on 15 May 2020.

10. WEBINARS

- Falco referred to potential topics for future webinars; the topics of PEPP, Intergenerational Fairness, and Spanish Actuarial Institution initiative.
- Cathal confirmed that the topic of Intergenerational Fairness will be of great interest.
- Maria pointed out the importance of communicating all these challenges to a non-actuaries audience. Referring to her experience from the webinar of the SSSC last June she said that a lot of non-actuaries were interested to attend. She proposed to organize webinars on a specific subject as soon as the work of the TF on this subject is completed and a paper has been produced.
- Falco confirmed that AAE supports the idea the webinars also to be open to a non-actuaries audience.

11. LINKS WITH OTHER ORGANISATIONS

- 11.1
- Falco referred to the EIOPA –Closing event IORP stress test 2019 last January and to the EIOPA Public event on the Contribution Paper on PEPP's Technical Standards and Advice last February

11.2 IAA

- Jeroen asked Charles the reason that IAA decided to do reorganization.
- Charles said that the IAA's base is quite complicated since a) there is the Council, a body for strategic decisions and b) there is a lack of governance in the number of different committees; some committees are busy with topics of very low interest.
- The discussion is :
 - A) On how to make changes in the Council without taking away from its power on the ability to proceed with strategic decisions and
 - B) On how to focus on topics that really matter.
- Charles explained that a main reason behind the IAA's decision for reorganization is to replace a big part of the IAA face to face meetings to virtual meetings. Virtual meetings will increase participation and will reduce costs. As he pointed out after the withdrawal of the American Academy of Actuaries from IAA the need for monitoring costs was increased. The effort of the reorganization he said is to organize things in a more efficient way.
- Falco congratulated Charles for his position as the chief actuary of Mercer.

11.3 EIOPA OCCUPATIONAL PENSION STAKEHOLDERS GROUP

- Falco gave an update on the work of the Occupational Pensions Stakeholders' Group.
- Falco informed the participants about the following regulation amendments of the stakeholder group:
 - A) New stakeholder groups will have a 4 year mandate (instead of 2.5 years)
 - B) The compositions became lightly different: +1 consumer representative; -1 academic and
 - C) They have the right to be heard in European Parliament.
- Falco confirmed that all current sitting members were allowed to extend their term after this change became into effect.

12. VISION AND VALUES OF THE AAE

Falco mentioned that there is no further update on the document about how we, as actuaries, could contribute to the wellbeing of the society. He proposed to keep working on this topic and he mentioned the example of the Spanish Actuarial Institution initiative.

13. INFORMATION EXCHANGE

- Jeroen invited the participants to mention recent changes in the social security legislation (if any) of their counties.

- Cathal advised that pension schemes in Ireland are starting to consider the economic impact of the COVID-19 pandemic following recent falls in equity markets and bond yields
- Charles said that in UK they try to survive the situation of COVID-19 and pay benefits. He referred to an interesting consultation for more "encouraging pension schemes" with low dependency on funding objectives.
- Ieva said that due to COVID-19 crisis measures are taken in Latvia in order to facilitate retirees to get their monthly pension amount.
- Hartwig referred to the negative investments that affected the 90% of the DC plans and led to a pensions' cut in Austria.
- Bogusława referred to the introduction of a Pension Company plan by the employers in Poland. She said that 39% of employees applied. In her opinion more employees would have applied if they trusted the existing government more.
- Maria said that a new Social Security law was issued this year in Greece. The law is fairer for the self-employed and includes incentives for staying longer at work. Maria pointed out that an actuarial study was asked on the sustainability of the social security funds under the new law.
- Tatiana said that there is no progress regarding the supplementary pensions in Bulgaria. It is expected as a consequence that the Social security funds will suffer from the turbulences of the lack of the economic perspectives.
- David said that in Slovenia because of COVID-19 an additional package for low income pensioners is offered. Depending on the level of their pension amount (up to or higher than €500) a supplementary amount of up to €300 is given.
- Jeroen said that in the Netherlands, due to COVID-19 crisis, there is a temporary law for helping the employers to fund the contributions on a temporary basis. Pension funds and pensions insurers offer to those employers tailor made solutions for postponing their pension premiums. He also mentioned that because of political reasons no cut on the pension benefits took place last year. He also clarified that due to the upcoming elections the politicians do not wish to include any pension issue in their agenda.
- Philippe said that due to COVID-19 a government formed in Belgium for 6 months. The main issue is how to modify the pension commitments which provide to stop the payment of contributions when workers are temporarily unemployed. The objective is to maintain death cover, and even possibly build up retirement.

14. **ANY OTHER BUSINESS**

- Philip proposed the topic of risk management on IORPS to be considered for further discussion. He said that he should discuss it with Malcolm Kemp (chair of Risk Management Committee).
- Philip added that in Ireland there is a discussion about giving State pension benefits at an earlier age than scheduled but it is not clear that Ireland can afford it.

15. JOINT MEETING RISK MANAGEMENT, INSURANCE AND PENSIONS COMMITTEES

Jeroen said that Malcolm Kemp gave a presentation on interest rates and Philipp on the PEPP. The survey results on the low interest rates will be put into a paper and will be circulated to the committees.

16. DATE OF NEXT MEETING

- The next meetings of the Pensions Committee are expected to take place in Munich, on October 8 and, as Falco informed the participants, in Bratislava from 14-16 April 2021.
- Falco thanked Jeroen for being the chair of the Pensions Committee meeting.
- Jeroen closed the meeting after thanking the participants for their attendance and their contribution to the discussion items.

Annex 0.1.

Participants Pensions Committee meeting

Virtual | 2 April 2020

	First name	Family name	Country	Nominating association	Role
1	Florian	Moyzisch	Austria	Aktuarvereinigung Osterreichs	Observer
2	Hartwig	Sorger	Austria	Aktuarvereinigung Osterreichs	Delegate
3	Philippe	Demol	Belgium	IA BE	Delegate
4	Tatiana	Bitunska	Bulgaria	Bulgarian Actuarial Society	Delegate
5	Ivancica	Rajic	Croatia	Hvratsko Aktuarsko Društvo	Delegate
6	Jean Francois	Gavanou	France	Institut des Actuaire	Delegate
7	Susanna	Adelhardt	Germany	Deutsche Aktuarvereinigung	Delegate
8	Maria	Economou	Greece	Hellenic Actuarial Society	Chair SSSC
9	Stefano	Visintin	Italy	ISOA	Delegate
10	Ieva	Ose	Latvia	Latvijas Aaktuāru Asociācija	Delegate
11	Falco	Valkenburg	Netherlands	Koninklijk Actuarieel Genootschap	Observer
12	Jeroen	Van Den Bosch	Netherlands	Koninklijk Actuarieel Genootschap	Delegate (chair)
13	Hans Michael	Øvergaard	Norway	Den Norske Aktuarforening	Delegate
14	Boguslawa	Wolniewicz	Poland	Polskie Stowarzyszenie Aktuariuszy	Delegate
15	Philip	Shier	Rep. of Ireland	Society of Actuaries in Ireland	Observer
16	Cathal	Fleming	Rep. of Ireland	Society of Actuaries in Ireland	Delegate
17	David	Bogataj	Slovenia	Slovensko Aktuarsko društvo	Delegate
18	Gregorio	Gil de Rozas	Spain	Instituto de Actuarios Españoles	Delegate
19	Lionel	Candaux	Switzerland	Association Suisse des Actuaire	Delegate
20	Charles	Cowling	UK	Institute and Faculty of Actuaries	Delegate
21	John	Woodall	UK	Institute and Faculty of Actuaries	Observer
22	Tom	Wildsmith	USA	American Academy of Actuaries	Observer