

## **MINUTES OF THE SOCIAL SECURITY SUB-COMMITTEE VIRTUAL MEETING HELD ON APRIL 2, 2020 FROM 8:00 – 11:00**

The Participants list of the Virtual Meeting can be found at the end of the document as Annex 0.1.

### **1. Opening of the meeting and adoption of the agenda**

- Maria opened the meeting wishing everyone all the best under the difficult situation because of COVID-19.
- The agenda was adopted.

### **2. Notes about the Committee's progress**

- Maria welcomed the new committee member of the Spanish Association, Gregorio Gil de Rozas, and informed the participants about the committee's progress since the meeting of SSSC in Vienna. In specific:
  - A Conference Call took place in December 2019 where, among others, the topic of "our future role as actuaries" was further discussed. Maria will prepare a paper including everyone's ideas and circulate it for comments. The paper will be finalized in the next SSSC meeting in Munich.
  - **TF Mortality:** The paper on mortality literature is finalized. The discussion regarding the comparison between the 2015 and 2018 Eurostat population reports has already started.
  - **TF Methodology & Projections:** The TF is working on the Eurostat technical manual. The deadline for submitting our output to Eurostat has been extended due to COVID-19. The pension experts' meeting scheduled on April 24 is postponed to June 30<sup>th</sup>.
  - **TF Adequacy:** The Intergenerational fairness is a topic of interest. In the Intergenerational fairness TF of the Pensions committee, launched after the meetings in Vienna, they are participating three colleagues of TF Adequacy.

### **3. Task Force on Adequacy of Pensions / Chairperson Mr Parniczky**

- Tibor said that we are not far from the issue date of the next Pension Adequacy report; PAR21. We are not aware yet about the topics that will be discussed. However, he continued, we may consider for further discussion the topics of a) the vulnerable groups and b) the analysis and comparison of pension systems in the EU countries; Chris made such an analysis in the past.
- Tibor expects some delay in the publication of the next report. The TF is planning to start the discussion about the main topics the TF will focus on in April.

#### 4. 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.

- Philippe confirmed that he will respond as quickly as possible.
- Falco said that Intergenerational fairness gets a lot of attention and pointed out that we need to be as objective as possible. IOPA is interested in the Cash Flow analysis. So Cash Flow could be considered as a basis for the Intergenerational fairness discussion.

#### 5. Social Security Experts panel in Spain

- Gregorio presented 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 their conclusions with the society. As Gregorio pointed out:
  - a) they invited non actuaries who have knowledge and experience on the Social Security topics;
  - b) they based their analysis on the published information of the relevant institutions; i.e. they didn't ask for analytical data bases, and
  - c) they didn't propose solutions. Their idea is to present to the Spanish people the facts staying away from any political approach.
- Spanish people reacted very positively; this initiative turned out as a big success and the Spanish Actuarial Institution is planning to continue.
- Jeroen said that he will share the Spanish experience with the Dutch Association.
- Gregorio mentioned that a number of associations may work in a similar way and confirmed the need of the society for such an input. What is at stake for the associations, he said, is to split the technical view from the political view; they have to focus on the technical view. Gregorio asked other countries' experience on how they communicate the Social Security topics locally.
- Costas congratulated the Spanish Association for their initiative pointing out the importance for all of us, as actuaries, to demonstrate our expertise in those matters. Costas made two comments:
  - In a number of countries there are Social Security actuaries who work at a government level on pensions and similar matters. Referring to Cyprus, he said that the opinion of the SS actuaries is highly respected. Especially now with the COVID-19 crisis there would be a need, after we get out of it, of reassessing the effectiveness of the social protection system at a national level. It is expected that new vulnerable groups will emerge and therefore a redesigned social protection

will play a key role in providing adequate protection to them. So our role will become more important.

- There is a lot to share and promote the work of actuaries in Social Security taking into account the international actuarial standards.
- Falco congratulated the Spanish Association for their initiative. He will present it as an example to learn from each other in the presidents' meeting of the associations in May.

#### **6. Task Force Mortality / Chairperson Mr Bogataj**

- David confirmed that the paper on the mortality literature review is finalized and that the TF started already to work in the comparison between the 2015 and 2018 Eurostat population reports.
- David referred to the 2018 Eurostat population report and presented the changes in the 2018 population since 2015.
- David will circulate a questionnaire to the SSSC members in order to get some input about the changes that took place in either country (if any) since 2015; i.e. what has been reported in the National statistics about the population movement.
- Costas informed the committee about a new set of projections expected by Eurostat by the end of April for the purpose of the Ageing report 2021.
- Maria proposed to David to prepare a synopsis of the findings after the comparison of the population reports in order to be discussed in the meeting in Munich.
- Raffaello presented the updated work of Daniela on the disabled worker's mortality allocated in four occupational groups: Workers, employees, farmers and craftsmen.

#### **7. Task Force Methodology and Projections / chairperson Mr Stavarakis**

- Costas gave an update regarding the progress of the TF work on the Eurostat technical manual. As he explained, the ad-hoc task force membership, which includes two social security actuaries from Canada and Japan, has provided the first set of comments on Chapters 1 to 4 of the technical manual. The TF work has temporarily stopped since a number of TF members had to support their governments in the development of support measures due to COVID-19 crisis. The deadline for submitting the results has been changed and he is in contact with Eurostat in order to re-establish a new time schedule.
- Maria asked Costas if:
  - a) in the pension experts' meeting there is a time slot for AAE in order to present its work on the technical manual, and
  - b) to what extent the AAE proposed changes is expected to be incorporated in the manual.
- Costas confirmed that in the pension experts' meeting there will be a time slot for the AAE. Regarding the second question, he explained that behind the T29 table there is an EU regulation that defines the relevant legal provisions of such tabulation; i.e. there is a technical framework associated with T.29 calculations. There are two areas of input with respect to the technical manual, he said:
  - Firstly, our input on the actuarial perspective approach. In December 2011, Eurostat's technical manual was prepared with the contribution of the economists only; this led to a simplistic way of developing methodological approach. Eurostat realized it and it became necessary to consider the actuarial perspective approach.

- Secondly, our input which results to the good practice as followed by the international actuarial standards. At this stage, we cannot change the legal framework he said. However, we can enhance the technical framework in areas which are not prescribed in the EU regulation, for example the communication aspects of the T.29 results; i.e. we can offer our advice on how the results could effectively be communicated.
- As he pointed out, in collaboration with Eurostat, it has been agreed that the TF:
  - Will make specific technical comments in the manual;
  - Proposed new items to be included in the manual.
- Costas clarified that at international level, the IAA is at the forefront of the actuarial community in contributing towards the potential revision of the national accounts legal framework.

## 8. Additional items you may wish to discuss

- Costas informed the participants that EIOPA is interested in getting actuarial input on the use of commonly-agreed assumptions in the context of the benefit statement templates, which were recently published and he asked how the SSSC should contribute to this discussion.
- 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.
- Falco pointed out that AAE is against the methodology according to which projections can be made on the basis of past 5 years performance. Especially for pensions he said that makes no sense. Perhaps an independent scientific committee is needed; EIOPA should consider this. Since this refers to the 2<sup>nd</sup> pillar pension it should be discussed in the Pension Committee.
- Tibor said that EIOPA is dealing with benefit statements in relation with the IORP Directive. The IORP Directive requires occupational pension institutions to provide information to their members. National regulators/EIOPA will have to issue guidelines on the details. IORP is 2<sup>nd</sup> pillar, therefore it is over our (i.e. the SSSC's) mandate/terms of reference to directly discuss this issue. But still, he said, there are two related topics, which we could contribute:
  - First, pillar pensions could be included in the benefit statement as the one which is to be supplemented by the occupational pensions. In several countries the two sources of pensions is meaningful only together. My concern is, he said, that the main problem with the benefit statement is that it is already complicated, leading to information overflow, hard to interpret by the individuals.
  - The other issue we could raise, he said, is that an EU level guidance on 1<sup>st</sup> pillar benefit statement to insured persons in the state system in itself could be considered. There is no such EU level regulation in place presently, and the practice is different country-by-country. This is a SSSC topic, and we could include it in our communication with the Commission, but it is not something discuss with the EIOPA, rather an ELSA topic.

**9. Future meetings**

- Maria proposed to have a Conference Call in the mid of July.
- The next meeting is in Munich during the AAE meetings between 7 and 9 October. Maria wished the COVID-19 crisis to be away by then and to have a "real face to face meeting".

**10. Closing of the meeting**

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

## Annex 0.1

### Participants

#### SSSC

Virtual | 02-03 April 2020

	First name	Family name	Country	Nominating association	Role
1	Hartwig	Sorger	Austria	Aktuarvereinigung Österreichs	Observer
2	Florian	Moyzisch	Austria	Aktuarvereinigung Österreichs	Observer
3	Philippe	Demol	Belgium	Institut des Actuairens en Belgique	Delegate
4	Yves	Brys	Belgium	IA BE	Delegate
5	Costas	Stavakis	Cyprus	Cyprus Association of Actuaries	Chair TF Methodology
6	Ismo	Risku	Finland	Suomen Aktuaariyhdistys	Delegate
7	John	Woodall	France	Institute and Faculty of Actuaries	Observer
8	Bernd	Muemken	Germany	Deutsche Aktuarvereinigung	Observer
9	Thilo	Volz	Germany	Deutsche Aktuarvereinigung	Delegate
10	Maria	Economou	Greece	Hellenic Actuarial Society	Chair
11	Tibor	Parniczky	Hungary	Magyar Aktuárius Társaság	Chair TF Adequacy
12	Raffaello	Marcelloni	Italy	ISOA	Observer
13	Daniela	Martini	Italy	ISOA	Observer
14	Jeroen	Van den Bosch	Netherlands	Het Koninklijk Actuarieel Genootschap	Delegate
15	Falco	Valkenburg	Netherlands	Het Koninklijk Actuarieel Genootschap	Delegate
16	Bogusława	Wolniewicz-Niemiec	Poland	Polskie Stowarzyszenie Aktuariuszy	Observer
17	David	Bogataj	Slovenia	Slovensko Aktuarsko društvo	Chair TF Mortality
18	Joaquim	Celma Buesco	Spain	Col·legi d'Actuaris de Catalunya	Observer
19	Gregorio	Gil de Rozas	Spain	Instituto de Actuarios Españoles	Delegate
20	Craig	Hanna	USA	American Academy of Actuaries	Observer

#### Apologies:

- Chris Daykin - UK
- Maitane Mancebo – Spain (chairperson Pensions Committee)
- Marianna Papamichail - Greece
- Peter Gatenby – UK