

## VIRTUAL MEETING OF THE PENSIONS COMMITTEE

HELD ON THURSDAY 8 OCTOBER 2020 FROM 14.30-17.30

### MINUTES

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

#### 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, Chairperson of the Pensions Committee (PC), welcomed the members to this annual virtual meeting. The Chairperson opened the meeting and presented the meeting agenda. No other points were raised at this moment.

1.2 Introduction of the note-taker. The Chairperson will be the one taking the notes of the meeting.

#### 2. MINUTES OF PREVIOUS MEETINGS

To confirm the [Minutes of the meeting](#) held virtually on 2 April 2020.

Minutes were accepted without any changes.

#### 3. CHAIRPERSON AND VICE-CHAIRPERSON

The Chairperson thanked Mr Jeroen Van den Bosch for running the spring meeting for her and Mrs Maria Economou for taking the minutes of that meeting. She informed the PC that she was stepping down from the Chairpersonship after this meeting due to the lack of time to perform the commitments of this position.

Mr Gábor Borza was reappointed as Vice-Chairperson of the Pensions Committee for one more year.

#### 4. PAN-EUROPEAN PERSONAL PENSION PRODUCT (PEPP)

Mr Philip Shier updated the PC on the latest submission on August 14<sup>th</sup> of the draft Regulatory Technical Standards (RTS) from EIOPA to the European Commission.

Some of the main highlights of these draft RTS mentioned were that the PEPPs Benefit Statements should be presented in a way to monitor their own savings, the cap on the annual costs of this products, and that the best way to present possible pension outcomes is by doing stochastic modelling. Something else to note was that the summary risk indicator presented for the PEPPs is not the same as the one for the PRIIPs. For the PRIIPs also (as for the IORP Directive), it was required to present two scenarios, a best estimate and an unfavourable

scenario. For the PEPPs in this draft RTS three scenarios would be required: favourable/best estimate/unfavourable. This was a request from the AAE in the past, which seems to have been incorporated in these RTS. For the benefit statement, figures will need to be deflated to allow for future inflation. Mr Shier went through the Annex 1 of the RTS submission, which shows the KID in detail. The PEPPs RTS WG also looked at the Risk mitigation part of the RTS, which is also described in detail in this draft RTS, with Annex 3 including all the mathematical formulas to be considered.

The European Commission will have until next year to approve this draft RTS.

Mr Shier also mentioned that the industry has already shown their concern about the cost cap of 1%, although it is still uncertain what this cap will cover (distribution, advice, etc.)

The PC will contact the Risk Committee Chairperson to see if there are any significant issues with the stochastic modelling included in the draft RTS submission. In case there are, the AAE could discuss them with DG Fisma in one of the future regular meetings.

#### 5. **EDUCATIONAL NOTES**

Mr Cathal Fleming updated the PC on the status of the EAN. After the previous spring meetings, the Actuarial Standard Subcommittee had provided some comments on the draft EAN, which related mainly to the language and style guide to be followed. Mr Fleming described the different comments by the Actuarial Standard Subcommittee to the PC.

The PC approved the proposed changes.

Next steps would be for Mr Fleming to check with the Professionalism Committee on whether the proposed EAN can be approved by electronic vote before the next Annual meeting.

#### 6. **INTERGENERATIONAL FAIRNESS**

Mrs Joseph presented a slideshow on how she intends to present this topic in the paper that she is preparing. The Intergenerational Fairness topic can bring endless discussions and actuaries can make calculations that support the claims of both young and old. Her idea would therefore be to frame the discussion from the different principles of fairness: exogenous rights, compensation, reward and fitness, to then explain the actuarial calculations that could be done to support the diverse ideas. The paper will also include specific examples on how Intergenerational Fairness is currently applied in different countries.

The PC members reminded that the starting point of this paper was originated from the IORP II Directive, and that this should be acknowledged in the paper. The Spanish member Mr Gil de Rozas, in view of the current discussions on changes on pensions going on in Spain, showed interest on knowing how other countries are taking Intergenerational Fairness into consideration in practice.

7. **COVID 19 AND IMPACT ON RETIREMENT**

Mrs Mancebo shared a presentation on the impacts COVID 19 has had on retirement so far. This presentation also included the results of a previously shared survey among the PC members on experience in their own countries.

Mr Shier commented that in Ireland there was pressure to give early access to retirement savings, but this was finally not granted.

8. **SOCIAL SECURITY SUBCOMMITTEE**

To PC received a report from the Chairperson of the Social Security Sub-Committee (SSSC), Maria Economou, on the work of the SC in the last months.

The SSSC has already started looking at the direction of the next Aging and Pension Adequacy reports. TF on Adequacy on Pensions has prepared a discussion paper with all the different indicators including sustainability, adequacy and fairness. There are also discussions on how to increase comparability among these indicators as the methodology behind is not always the same.

TF Mortality worked on the comparison between Eurostat's 2015 and 2019 population projections. The new projections show a population increase in the future, something that could bring sustainability to public finances in the long term, but this is a subject under further discussion at the SSSC.

Regarding the TF on Methodology and Projections, Mrs Economou pointed out that they had had a successful meeting with Eurostat, who appreciated the help of the AAE in relation to the calculations of the Table 29 figures. The TF is now working together with Eurostat on what is the best way for these Table 29 results to be communicated by the Member States.

Besides the mentioned topics, the SSSC is also discussing the role of SS actuaries in the future and had prepared a discussion paper on this subject. There is a concern about the lack of involvement of SS actuaries and actuarial methodologies in the different Member States. The SSSC circulated a survey in July on this topic, and Mrs Economou invited those who had not participated yet to send their response to her. The Spanish member of the SSSC, Mr Gil de Rozas, had shared the recently calculated Actuarial Equity Factor. This factor has been calculated by the Spanish Actuarial Association with the aim of providing more information to the current discussions going on to change the Spanish first pillar pensions.

The SSSC is also following the discussions and collaborating with the Intergenerational Fairness topic. They are also following the COVID 19 impact on the vulnerable groups, but are waiting for more statistical data.

Finally, Mrs Economou thanked Mrs Mancebo for her role as Chairperson of the PC and support to the SSSC.

## 9. **WEBINARS**

### 9.1 The Chairperson asked for ideas on webinars for 2021.

Mrs Economou suggested that the different TFs of the SSSC are working in several interesting topics that she had just presented, which could be of interest for a webinar. She could provide more specific details once she has the opportunity to discuss it with the different Chairs.

Mrs Mancebo also mentioned the Intergenerational Fairness topic, once the paper has been published.

The Spanish delegate, Mr Gil de Rozas, also proposed the idea of presenting the Spanish pension situation covering public and private pensions, once the changes under discussion are decided at the end of 2020. He mentioned that maybe even somebody from the SS Ministry in Spain could also participate.

## 10. **LINKS WITH OTHER ORGANISATIONS**

### 10.1 The Chairperson mentioned how she attended the International Pension Research Association (IPRA) 2020 Conference, where different topics were discussed such as *how persistent low expected returns can alter optimal lifecycle savings*. In this case research shows that in low return environments people tends to save less for retirement. There was also another presentation on PEPPs for example.

### 10.2 Mrs Mancebo also mentioned how the PC had responded to the final report by High Level Forum on the completion of the Capital Markets Union (CMU). The full response is available in the AAE website.

### 10.3 **IAA**

Mr Charles Cowling mentioned three initiatives that they are looking at the IAA Pensions and Employee Benefits Committee at the moment.

Firstly, they are looking at the ESG disclosures for pension schemes, which is something that is in the IORP Directive and that countries around the world have been faced up with changing requirements. The objective is to track what is being done and how these requirements are being translated in different countries.

The second initiative being considered by the Committee is the roles of actuaries in DC schemes and the different ways in which actuaries in different countries play a major or less strong job in DC schemes. This work is relatively in early stages.

Finally, the Committee is working on climate change related to pensions, touching topics such as the finances of pension schemes, scenario analysis or stochastic modelling.

A link to the meeting held virtually on 1 May 2020 is here

<https://www.youtube.com/watch?v=WHLO0n1UrZE&feature=youtu.be>.

#### 10.4 **EIOPA OCCUPATIONAL PENSION STAKEHOLDERS GROUP**

Mr Falco Valkenburg shared a presentation on the latest work of the Occupational Pensions Stakeholder Group (OPSG). Mr Valkenburg provided a summary of how the OPSG works. The group can submit opinions and advice to EIOPA on any issue related to its tasks and is composed by 30 members representing different stakeholders. The group changed in July and Mr Valkenburg is currently one of the two OPSG vice-Chairpersons.

The OPSG has presented an activity report of the previous 2018-2020 mandate which can be consulted online

([https://www.eiopa.europa.eu/sites/default/files/publications/administrative/cvs/opsg/eiopa-opsg-20-16\\_activity\\_report\\_2018-20.pdf](https://www.eiopa.europa.eu/sites/default/files/publications/administrative/cvs/opsg/eiopa-opsg-20-16_activity_report_2018-20.pdf)). Current topics under discussion are PEPPs and EIOPA's sustainable finance strategy.

Mr Shier asked if the new approach of the OPSG would give the group more power towards EIOPA. Mr Valkenburg responded that in paper they have more power now, at least power to be heard by Parliament, which is a big change. Time will tell how this will work out in reality.

#### 11. **INFORMATION EXCHANGE**

The PC exchanged information on current issues in member associations of interest to other members.

- **GERMANY:** Low interest rates is a big topic as there are still quite a few DB schemes with guaranteed interest rates. The guaranteed interest rates should be decreased by 0.25% which in some cases may mean that the nominal value of the lifetime contributions will not be guaranteed, which is a requirement of Labour Law. There are discussions on what is a good level of guaranteed contributions, which may need to be decreased, not guaranteeing 100% of your lifetime contributions. The other option would be implementing DC schemes, but in 2018 they introduced the possibility of implementing these schemes and as of today there are none in place yet. In SS retirees' pension amounts should decrease as their pension is linked to the average income of the population and due to the COVID crisis the average salary has decreased. In consequence, the pension values should decrease too, but this is prohibited by law as the nominal pension amounts cannot be reduced. The law will be changed so that their pension will not be reduced, but future active population's average salary increases will only be granted on a 50% basis until the non-fulfilled decrease is compensated on the pensioners' side. Increased governance on IORPs, there are more directives that providers need to implement. Initiative to look at the interest rates for pensions accounting in the local GAP. Currently it's linked to market bonds and it's an average over 10 years, and as interest

rates are decreasing and will continue to do so for at least the next 10 years. This could represent a big burden for the companies and therefore a solution is being sought.

- **AUSTRIA:** Some of the pension plans (IORPs) will need to reduce benefits in their DC plans as of next year because of the bad capital markets, together with the high discount rates (some contracts still calculated with up to 6.5% DR). Austria still doesn't have any guidelines from the regulator on the Own Risk Assessment for IORPs.
- **IRELAND:** Still waiting for IORP II Directive to be implemented in Ireland, probably delayed because new Government just started in June 2020. Nevertheless the regulator has taken a proactive approach on pension schemes and they are trying to be well prepared for the coming IORP II regulations. State Pension Age will be delayed from 66 to 67.
- **SWITZERLAND:** New law was supposed to be implemented 1/1/2021 but because of COVID 19 will enter into force on 1/7/2021. This law will affect those aged 58 or older, and will protect those who are dismissed and cannot find a job afterwards. They will have the possibility to leave their funds in the pension scheme, and even continue paying contributions (all contributions to be paid by the employee). This means that they can take their retirement later.
- **NETHERLANDS:** After 10 years of debate, the NL finally has a pension agreement to restructure the pension system, which means that by the end of next year the legislation will need to be in place. They will change from DB to purely DC. Nevertheless, most of these DC schemes are not the typical ones that are commonly known. Before 1/1/2027 everybody needs to be shifted to the new system.
- **BELGIUM:** The government wants to increase the min statutory pension for a full career to 2,500€ net.  
Supplementary pensions: Government does not want to reduce the guaranteed return of 1.75%. This guarantee is fully the employer responsibility and not the employee. There is also an intention to analyse the fees of these supplementary pensions and possibly cap them. The Government wants to also analyse the possibility of split of the supplementary pension in case of divorce.
- **UNITED KINGDOM:** Big consultation from the pension's regulator about extending the focus of DB schemes beyond technical provisions to target much lower risk long term objectives.  
Discussion to change from Retail Price Inflation to Consumer Price Inflation.  
Big focus on pension scams, which increased significantly probably due to COVID19, people being persuaded to transfer out their pension arrangements into dodgy fraudulent policies and losing their lifetime savings. Discussions ongoing on how to protect this and whether compensation should be paid.  
CMI looking at how to allow for future mortality improvements linked to COVID19.  
ONS worried about Long Term Care, as we are all living longer and increasingly older people are childless, when children are commonly the ones taking care of the parents. If more people is childless who will take care of these old people in the future.

- FRANCE: Pensions huge reform looking at unifying 42 public pension schemes into one has been delayed.  
New investment product targeted at retirement, with increased flexibility on how the money is going to be invested.
- GREECE: Discussions at the moment on transforming current PAYG pensions into DC scheme like arrangements, but nothing clear for the moment.
- BULGARIA: Still unsolved issue for second pillar pay-out phase.  
The average expectation for supplementary pension is 30-50 EUR per month lifetime pension, which is around 20% of the national pension.
- NORWAY: Current issues linked to low interest rates and COVID 19 and how to adapt this situation into current pension scheme.

12. **ANY OTHER BUSINESS**

No other businesses were mentioned.

13. **JOINT MEETING RISK MANAGEMENT, INSURANCE AND PENSIONS COMMITTEES**

Mrs Mancebo described the topics discussed in the joint meeting: the PEPPs stochastic modelling, COVID 19 and the impact on insurance and finally sustainability and why this is important to consider it by actuaries. It's not only linked to climate change but also has to do with governance of the different products offered. All the presentations can be found on the AAE website.

14. **DATE OF NEXT MEETING**

The Chairperson explained that the next meeting of the Pensions Committee will take place in Bratislava, Slovakia, on Thursday 15 April 2021 (to be confirmed) at the invitation of Slovenská spoločnosť' aktuárov.

To note that the next Annual Meeting will be held at Campus Sursee, Switzerland, from 29 September-1 October 2021 at the invitation of Schweizerische Aktuarvereinigung.



## Annex 0.1

### Participants Pensions Committee meeting Virtual | 8 October 2020

	First name	Family name	Country	Nominating association	Role
1	Florian	Moyzisch	Austria	Aktuarvereinigung Osterreichs	Delegate
2	Hartwig	Sorger	Austria	Aktuarvereinigung Osterreichs	Observer
3	Reinhold	Kainhofer	Austria	Aktuarvereinigung Osterreichs	Observer
4	Philippe	Demol	Belgium	IA BE	Delegate
5	Tatiana	Bitunska	Bulgaria	Bulgarian Actuarial Society	Delegate
6	Andrea	Radic	Croatia	Hvratsko Aktuarsko Društvo	Observer
7	Ivancica	Rajic	Croatia	Hvratsko Aktuarsko Društvo	Delegate
8	Richard	Deville	France	Institut des Actuaire	Observer
9	Jean Francois	Gavanou	France	Institut des Actuaire	Delegate
10	Susanna	Adelhardt	Germany	Deutsche Aktuarvereinigung	Delegate
11	Maria	Economou	Greece	Hellenic Actuarial Society	Chair SSSC
12	Agnes	Joseph	Netherlands	Koninklijk Actuarieel Genootschap	Chair Int. Fairn.
13	Falco	Valkenburg	Netherlands	Koninklijk Actuarieel Genootschap	Obs.-Chair AAE
14	Jeroen	Van Den Bosch	Netherlands	Koninklijk Actuarieel Genootschap	Delegate
15	Hans Michael	Øvergaard	Norway	Den Norske Aktuarforening	Delegate
16	Boguslawa	Wolniewicz	Poland	Polskie Stowarzyszenie Aktuariuszy	Delegate
17	Philip	Shier	Rep. of Ireland	Society of Actuaries in Ireland	Observer
18	Cathal	Fleming	Rep. of Ireland	Society of Actuaries in Ireland	Delegate
19	David	Bogataj	Slovenia	Slovensko Aktuarsko društvo	Delegate
20	Maitane	Mancebo	Spain	Instituto de Actuarios Españoles	Chair
21	Gregorio	Gil de Rozas	Spain	Instituto de Actuarios Españoles	Delegate
22	Anders	Munk	Sweden	Svenska Aktuarieföreningen	Delegate
23	Lionel	Candaux	Switzerland	Association Suisse des Actuaire	Delegate
24	Charles	Cowling	UK	Institute and Faculty of Actuaries	Delegate
25	John	Woodall	UK	Institute and Faculty of Actuaries	Observer
26	Craig	Hanna	USA	American Academy of Actuaries	Observer