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MINUTES OF THE SOCIAL SECURITY SUB-COMMITTEE VIRTUAL MEETING HELD ON THURSDAY OCTOBER 8, 2020 FROM 10.30-13.30 CET

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 welcoming every participant and introducing the new committee member of the Austrian Association, Florian Moyzisch, and the chairperson of the Task Force of Intergenerational Fairness Agnes Joseph.
- The agenda was adopted.

2. Notes about the Committee's progress

- Maria informed the participants about the committee's progress since the committee's Conference call in July. In specific:
  - The Questionnaire on the role of actuaries in Social Security Systems circulated to the Social Security sub Committee – SSSC and to the Pensions Committee.
  - The discussion paper "The future role as Social Security Actuaries in Europe" circulated to the SSSC for further discussion.
  - COVID 19: COVID 19 is a topic that SSSC wishes to discuss. Raffaello circulated a presentation on his work regarding the trend of accidents at work due to Covid 19. SSSC wishes to examine the impact of COVID 19 on the vulnerable groups. Maria clarified that because there is little statistical data available yet, the committee during the July Conference Call decided to wait till more info becomes available.

3. Our future role as Social Security Actuaries in Europe – Discussion paper

Maria made a brief introduction to the paper pointing out the long-term targets and the main items actuaries should focus on in order to achieve their long-term goals.

The participants asked more time in order to give some feedback. The deadline for responses extended to the end of October.

4. Presentation on the "Actuarial Equity Factor" by Gregorio Gil de Rozas

Goyo presented the results of the analysis, made by the Spanish Association, on the existing pensioners' data. He also gave a follow up on the communication, started this year in Spain, between the Social Security experts and Spanish society regarding the Social Security challenges.

Jeroen asked about peoples' reaction.

Goyo said that everybody understands that it is necessary "to do something" for the Social Security because "things are difficult". He also said that there is a number of people who knows nothing about the actuaries and their work. However, he continued, as Social Security experts, they managed to put this issue on debate and to attract attention. The minister of Social Affaires preferred the analysis of the Spanish Association from the one offered by the Bank of Spain.

Jeroen referred to the changes in the Dutch pension system that took place last year expressing his concerns of how they will be communicated to the Dutch society.

Goyo agreed on the fact that the communication is difficult and that there are protests for pensions rights.

Jeroen confirmed that the public opinion makes the communication also difficult in the Netherlands.

Hartwig asked about the assumptions used by the Spanish Association.

Goyo said that they followed the assumptions of the Ageing report.

Costas said that based on his experience when looking into reforming the Social Security System, it is very important to have clear pension policy objectives that we aim to achieve. Intergenerational fairness is one objective, he said. We need though to examine how best the National Security system fulfills all the objectives including mitigating poverty in old-age, securing the adequacy of pension income, enhancing the effectiveness of the Social Security system, ensuring financial sustainability of pension, as well as securing transparency in the role of the government to finance the system. What is at stake, he said, is to find the optimal balance between all different objectives. So, a more holistic approach should be considered.

Goyo said that this is the first time they, as Spanish Association, modeled the Social Security system. He agreed that they need to have all anchor points for more discussions. Goyo informed the committee that in the next months they will have a lot of interactions with the politicians; because of this, he said, the guidance of the AAE is very welcome.

5. Intergenerational Fairness update by Agnes Joseph

Agnes gave a feedback on the Task Force work referring as well to the main points of her presentation in the Pensions' Committee.

Jeroen added that we may look insight it more globally.

Hartwig said that when thinking about intergenerational fairness we may think about a group of people with a specific retirement age. Their separation as a group depends on time. It might be fair, he said, to consider what makes more equalized to intergenerational fairness.

Tatianna pointed out that if Social Security system decides to associate with this topic in terms of discussion on local benefits then, this is a benefit for this project.

Maitane said that the Pensions Committee, since taking up this topic, had received similar feedback. Agnes proposal, to begin by considering a range of different perspectives around intergenerational fairness, is the best approach. The different perspectives are likely to reflect aspects of local culture, and to use a variety of techniques.

Tibor said that he agrees to start the discussion with defining what we mean by intergenerational fairness, because it might require different approach in case of pay-as-you-go social security. The origin of the topic, like the inheritance examples in Agnes' introduction, are emphasizing the funded approach. Some techniques are discussed in the discussion paper [Pension Measurement, attached/will be uploaded to the website] which will be introduced during the next Agenda item.

6. Task Force on Adequacy of Pensions / Chairperson Mr Parniczky

6.1 Questionnaire: The role of Actuaries in Social Security

Tibor made an introduction on the questionnaire pointing out that despite the fact individual actuaries may give their opinion the actual experience of each country is different.

He said that he understands that this questionnaire is different from the ones we usually receive; thus, it is quite difficult to be filled.

Tibor encouraged the participants to respond to the questionnaire. It would support our view on the role as Social Security Actuaries in Europe, discussed earlier (see above). As an example, he referred to Goyo's presentation earlier during this meeting where the experience of how the work of the Social Security actuaries is in Cyprus and in Spain came out.

Maria invited the participants to respond to the questionnaire.

6.2 Discussion on contributions to the commentaries on the Ageing and Adequacy reports of 2021

Tibor presented his discussion papers: Pension Measurement and Macro and Micro modelling. He clarified that these are papers proposed for further discussion and asked the participants to give their feedback.

- Pension Measurement:

  Tibor explained his intention to review the methodological background of the indicators that are used and might be used in the Reports. The origin of the indicators in the paper is that of previous work by the AAE Committee members and the EC Ageing and Pension Adequacy Reports. He thanked Chris for his encouragement and contribution to his work.

  Chris said that we should include more of our opinion concerning the indicators

  Tibor referred to the indicators used in the European Commission reports on pensions and gave his viewpoint for the classification of different measures of pensions and pension systems. Tibor classified them according to their specified aspects. Following Chris' advice, he drew the attention to the section in the paper which is discussing fairness indicators in the context of pay-as-you-go social security systems.

- Macro and Micro modelling:

  Tibor explained his proposal to use the Markov chain framework and the Expectation Maximization/Hidden Markov Model method to provide a consistent approach to

pension systems modelling at different levels of detaile. This model, he said, is applicable to all levels of aggregation. Therefore, it could be used from the onset of the pension projection exercise, including the planning of data and modelling methodology, establishing in this way the relation between the results of micro and macro modelling.

Maria pointed out the value of detailing the methodology behind an indicator; whether this be macro or micro modelling. This will help, she said, when interpretating the results. She also asked Tibor about the use of Markov chain approach.

Tibor said that this provides the basis for common solutions in modelling systems in which individuals may move to different statuses, seeking to project the number of people in the different stages. He added some remarks on the Hidden Markov model.

Both papers were circulated only the day before the meeting, but will be uploaded to the website and open for further comments and critique.

7. Task Force Mortality / Chairperson Mr Bogataj

7.1 Comparison between the 2015 and 2019 (published April 2020) Eurostat population projections

7.2 Questionnaire on the population projections

David presented the results of the 2015 and 2019 Eurostat population projections.

Jeroen mentioned that to his understanding these projections are politically driven and because of that he was doubting on how realistic this estimation might be.

David said that in his opinion these projections do not lie on a real basis. They are made in order to defend the existing pension system.

Jeroen asked if these numbers used by the governments.

David replied that these are the official projections which will be used for defending the sustainability of the public finances

Jeroen said that under these projections the risk of deviation is high.

David agreed with Jeroen mentioning that these projections are for making the public finances sustainable. I think, he said, that what we see are people of third countries migrating; this is the biggest migration ever. We need to be very careful with these figures. As things seem we need to import one million workers for our system to be sustainable. The working age population is expected to decrease. Under these conditions the social security will be no longer reliable or at least the current social contract will change. Europe is planning to import 80 million working age population during the time of projections. The country with biggest migration is Germany. Till the end of the century mortality and fertility will drop; so, they plan to emigrate more than 30 million workers. With no migration the working population will drop by more than 50%.

Jeroen asked if the average life expectation will be influenced.

David said that in principle the mortality and fertility projections do not differ from the previous ones; the biggest change in projections is migration. So, the average life expectation seems no influenced.

Jeroen asked about the impact of these numbers in terms on how we could cope with them.

David said that a public debate should open. We will prepare the questionnaire and distribute it to all Members States; we will ask if there is admission about the migration.

Jeroen asked about the assumptions behind the calculations; they may vary a lot he said over time. These numbers should critically be observed before conclusions. The different countries project the population in a different way all over the years. The methodology has to be set (right) before setting the numbers.

David said that these projections are the most uncontrolled ones. It seems that the politicians of each member state wish to make the public finances to be seen as sustainable. David added that the fertility increased by 2.1 while the mortality didn't increase more.

8 Task Force Methodology and Projections / chairperson Mr Stavrakis

Costas said that the actuarial perspective in relation to the calculation of Table 29 pension figures has been achieved to a high extent in Eurostat. What is important as a next step is our proposal, as TF Methodology & Projections, to Eurostat in order to provide some guidance on how these figures should be communicated. There is a requirement from all Member States to transmit to Eurostat the Table 29 pension figures by the end of December. After December's data transmission, we would need to communicate the results to the public. Last time in early January 2018, the above communication at EU and national level was rather "light".

The AAE should provide its views/ give guidance for avoiding the misinterpretation of those numbers. This is on what we will work on the next months. Either Eurostat will incorporate our guidance or Eurostat will encourage Member States to incorporate AAE's views/ guidance in their dissemination and communication of figures at a national level.

9 Additional items you may wish to discuss

No additional items proposed for discussion.

10 4th Congress of Actuaries / Future meetings

10.1 ECA

Maria encouraged the participants to make a presentation in the next ECA. This is a way, she said to the participants, to present your work and your contribution to the SSSC.

Raffaello confirmed that he will submit a paper regarding his work about Covid19. It is expected to have more data on Covid 19 by the end of June he said. Other interaction for other countries will complete the panorama.

Maria wished Raffaello a lot of success.

10.2 (Possible) Conference Call before Christmas

Maria proposed to have a conference call around mid-December

10.3 Spring meetings

Maria mentioned that next Spring meetings will take place about mid-April in Bratislava.

11 Closing of the meeting

Maria thanked the participants for their attendance and their contribution to the discussion items wishing to have a "real face to face meeting" in April.

Annex 01

Participants SSSC

Virtual meeting October 8 2020

	First name	Family name	Country	Nominating association	Role
1	Hartwig	Sorger	Austria	Aktuarvereinigung Österreichs	Observer
2	Florian	Moyzisch	Austria	Aktuarvereinigung Österreichs	Delegate
3	Yves	Brys	Belgium	IA\ BE	Observer
4	Tatiana	Bitunska	Bulgaria	Bulgarian Actuarial Society	Observer
5	Costas	Stavrakis	Cyprus	Cyprus Association of Actuaries	Chair TF Methodology & Projections
6	Ismo	Risku	Finland	Suomen Aktuaariyhdistys	Delegate
7	John	Woodall	France	Institute and Faculty of Actuaries	Observer
8	Maitane	Mancebo	France	Instituto de Actuarios Españoles	Chair Pensions Committee
9	Richard	Deville	France	Institut des Actuaires	Observer
10	Bernd	Muemken	Germany	Deutsche Aktuarvereinigung	Observer
11	Thilo	Volz	Germany	Deutsche Aktuarvereinigung	Observer
12	Maria	Oikonomou	Greece	Hellenic Actuarial Society	Chair SSSC
13	Borza	Gábor	Hungary	Magyar Aktuárius Társaság	Vice chair Pensions Committee
14	Tibor	Parniczky	Hungary	Magyar Aktuárius Társaság	Chair TF Adequacy
15	Raffaello	Marcelloni	Italy	Istituto Italiano degli Attuari & Consiglio Nazionale degli Attuari (ISOA)	Observer
16	Daniela	Martini	Italy	Istituto Italiano degli Attuari & Consiglio Nazionale degli Attuari (ISOA)	Observer
17	Jeroen	Van den Bosch	Netherlands	Het Koninklijk Actuarieel Genootschap	Delegate
18	Agnes	Joseph	Netherlands	Het Koninklijk Actuarieel Genootschap	Chair TF Intergenerational Fairness
19	Falco	Valkenburg	Netherlands	Het Koninklijk Actuarieel Genootschap	Chair AAE
20	Boguslawa	Wolniewicz	Poland	Polskie Stowarzyszenie Aktuariuszy	Observer

21	David	Bogataj	Slovenia	Slovensko Aktuarsko društvo	Chair TF Mortality
22	Sáez de Jáuregui	Luis	Spain	Instituto de Actuarios Españoles	Observer
23	J. Iñaki	De La Peña	Spain	Instituto de Actuarios Españoles	Observer
24	Rafael	Moreno Ruiz	Spain	Instituto de Actuarios Españoles	Observer
25	Gregorio	Gil de Rozas	Spain	Instituto de Actuarios Españoles	Delegate
26	Charles	Cowling	United Kingdom	Institute and Faculty of Actuaries	Observer
27	Chris	Daykin	United Kingdom	Institute and Faculty of Actuaries	Delegate

Apologies:

- Marianna Papamichail – Greece
- Michael Lucas - UK
- Peter Gatenby – UK