

MEETING OF THE PENSIONS COMMITTEE TO BE HELD IN BRATISLAVA, SLOVAKIA

ON THURSDAY 20 APRIL 2023 FROM 14.00-17:30 CEST

MINUTES

Chairperson: Tatiana Bitunska

Participants: The list of participants is added as Annex 0.1 **Participants List**

1. **OPENING OF THE MEETING AND ADOPTION OF THE AGENDA. NOMINATING NOTE TAKER**
Tatiana Bitunska opened the meeting and welcomed all participants. She expressed her thanks to the Slovak Actuarial Association for hospitality and for perfect organization of the meeting
No additional items aroused and the [agenda](#) was approved as it was announced before the meeting.
2. **MINUTES OF PREVIOUS MEETINGS**
The [Minutes of the meeting](#) held online on 16 January 2023 (**Annex 2**) were approved.
3. **REVIEW OF IORP II DIRECTIVE**
The chairperson emphasized the importance of the work done so far by the two working structures focused on the issues related to IORPs, namely:
 - 3.1. **Pensions Risk Management joint WG** (chaired by Martin Melchior);
 - 3.2. **IORP II Directive Review Task Force** (chaired by Philip Shier).

A presentation on main outcomes from the Survey on IORPs, prepared by the Pensions Risk Management joint WG, was given by Karel Goossens (**Annex 3.1**). In the Survey The survey was focus on the regulations of the IORPs in different MSs as well as on the role of actuaries and Risk management function under IORPs. The main findings are that the number of actuaries working in IORPs is bigger than 3500 (incl. UK and Switzerland). We (as AAE) representing AFH, because the Survey showed that more than 95% of pensions actuaries as qualified actuaries. Karel mentioned that it is a pity that we did not receive feedback from Germany (one of the huge IORPs' markets) and that we have to explain why actuaries do not play the same role in different countries. It was discussed several times with colleagues from the DAV that because of its very differentiated pension landscape Germany has no way of collecting the figures asked in the survey in a consistent and reliable way.

Main recommendations given by the Pensions RM Joint WG are that:

- PC should take care of preparing actuaries for AF role, while
- RMC has to contribute in preparing them for Risk Function.

In addition, Karel emphasized that we need to consider good practices and asked about the position and role of the actuaries in the UK. Charles Cowling explained that the actuaries have advising function when working for Pension Schemes / IORPs in the UK. To some extent the employers take the most of the risks. Practically it is disputable whether an actuary is Employer's actuary or IORPs' actuary.

The main challenges in front of pensions actuaries have been discussed further. Karel pointed out that a huge amount of assets is concentrated under the EU IORPs - EUR 2300 bn (which is more than 25% of Life insurance and UL provisions). In the same time there are big differences from country to country.

The next topic was present by Philip Shier, chairperson of the TF for the Review of IORP II Directive. Philip presented the structure and the objectives of the new TF (**Annex 3.2**). The first step in the plan of the TF is to prepare an answer on the consultation initiated at the beginning of March. To ensure sufficient coverage in the answers the TF launched a survey to collect Mas' position on the key issues. Before meeting in Bratislava 10 MAs responded (in alphabetic order):

- Bulgaria
- Croatia
- Denmark
- Estonia
- Germany
- Ireland
- Italy
- Norway
- Slovakia
- UK

The participants discussed some main outcomes from the Survey like proportionality and exemptions. The general opinion shared was that the exemptions should be more risk based rather than size-based. Regarding the question of common framework there were not prevail preferences among the MAs.

Philip presented also the other important topic under the consultation – Pensions Benefit Statements (PBS). There were different opinion about the unified templates, but common understanding about importance of the information provided (on cost and charges, on investment performance, on the possible future scenarios and projected amount of benefits). It was stressed that risks should be considered from the perspective of members and not only from IORP point of view.

4. **STRESS TEST IORPS II – outcomes**

Susanna Adelhardt, Chairperson of the Cash Flows' TF presented the main observations on the IORPs Stress Tests exercise. Susanna summarised the issues around the Stress Test and the activities of the CFs' TF:

- ✓ no CFs asked by EIOPA;
- ✓ no real valuation for the PFs;
- ✓ not a good insight was achieved against efforts to prepare the exercise; The recommendations are that more granularity can provide additional insight.
- ✓ Stress test was conducted with the main focus on climate transition risk. The impact on the Funding ratio was immaterial, but the stress test provoked sizeable overall drop of 12,9% in assets.

Due to the one-time shock of a climate crisis, a scenario was given that will not play out in reality. Thus, the results cannot be completely reliable.

5. **“Risk Mapping Social Security Pension Systems” – presentation by Tibor Parniczky (Annex 5)**

Tibor gave a presentation on the broad context on ERM and on Risk assessment in the Pensions area and especially its application in the Social Security schemes. Based on the last Ageing report a Risk mapping was presented showing per countries the ratio of Pension expenses vs. GDP.

6. **SOCIAL SECURITY SUBCOMMITTEE – update on the current activities presented by the Chairperson, Maria Economou.**

Maria gave an update on the ongoing activities of the Social Security Sub-Committee.

- Mark Lee, Costas Stavrakis and Meeri Kesala will give presentation to the Pensions Expert Group forum, organized by Eurostat on 26th May.
- A presentation on Mortality changes after COVID-19 was given by David Bogataj in the morning session of the SSSC.
- Daniela Martini and R. Marcelloni will participate in the ICA 2023 in Sidney.
- The main objectives of the SSSC is the preparation of the SS Forum at the beginning of November, 2023.

BREAK – 20 min

7. **WEBINARS**

A discussion on FUTURE Webinars / Round Tables took place.

- June 21st – time slot was still available
After discussion the PC decided not to organize event in June. The main considerations were that the date will be very close to the submission of the response to EIOPA regarding the Review of the IORP Directive.
- Organizing a forum with the Social Security professionals / experts – 2 November 2023.

8. **LINKS WITH OTHER ORGANISATIONS**

To note the [overview of meetings](#) with external stakeholders during the first quarter (**Annex 8**).

8.1 **EIOPA**

Philippe Demol presented the topics discussed on the last meeting with EIOPA.

Tatiana Bitunska noted that the IORP II Directive Review TF is preparing a response to the following consultation:

- [EIOPA consults on technical advice for the review of the IORP II Directive](#), deadline 25 May 2023

8.2 **IAA**

Charles Cowling noted that the IAA has established “Pensions, Benefits and Social security forum” as a platform for knowledge-sharing and to facilitate discussion between MAs.

9. **JOINT MEETING RISK MANAGEMENT, INSURANCE AND PENSIONS COMMITTEES – update**

9.1. To note the [agenda of the joint meeting of the RMC, IC and PC](#) (**Annex 9**).

9.2. **Joint WGr between PC and RMC**

- WG on Sustainability (SCRR) – update from the Vice-chair Gabor Borza
- WGr on Risk Management for Pensions – update from Tatiana Bitunska/ Martin Melchior

10. **INFORMATION EXCHANGE – 30 min**

To exchange information on current issues in member associations of interest to other members. Charles suggested all PC’ members to provide through the e-mail relevant country's update on the pensions issues.

Austria – update provided by Florian:

It was mentioned during the meeting that in Austria the actuaries are still coping with the problem how to handle non binary persons.

But it would be useful if actuaries can present to the regulator that none of the European countries have rules which aren’t compliant to our proposal.

Proposal:

For pricing and reservation for non-binary persons you can use unisex probabilities even if the benefits of the (binary) colleagues of the pension plan are calculated with sex specific probabilities. For unisex probabilities the published mortality tables can be used or alternatively a specific mix of sex specific probabilities according to actuarial standards.

Florian suggested to set up a survey with that only question: Is it in your country possible to use the above-mentioned proposal or are there rules respectively constraints prohibiting this method?

Bulgaria

The second pillar PF has started paid-out phase at the end of 2021 but the number of pensioners from IORPs is still very small due to the insufficient accumulated rights (based on DC plan with monthly contributions up to 5% of the salary). That is why the 1st pillar pensions still are the main source for income after retirement. During the last decades the deficit in the National Social Security system is increasing and the importance of the reasonable size of the 2nd pillar pensions benefit become more and more important.

The current pensions age is respectively 62 and 62,5 years for women and men. These ages are increasing with few months every year to reach 65 years for the both genders.

French pension landscape – information provided by Richard Deville

According to “Les retraités et les retraites édition 2022 de la DRESS” part of INSEE national statistical agency in 2020, € 332 billion were paid by the mandatory legal regimes that are mainly pay as you go versus € 7 billion paid by supplementary pre funded pension schemes. These € 7 billion represent 2.1 % of the € 332 billion paid by the mandatory legal regimes in 2020. The % of supplementary pensions has ranged between 1,9% and 2,1% since 2010. Moreover, amongst these € 7 billion pensions paid through company schemes represent € 4,1 billion and within these € 4,1 billion the DB schemes represent € 1,2 billion i.e., 0,36% of pensions paid. In respect of mathematical provisions at the end of 2021 ORPS (French IORP’s) represented € 45,5 billion versus € 250,6 billion for all individual and company supplementary prefunded pension arrangements.

The ORPS (Organisme de Retraite Professionnelle Supplémentaire) the French IORPs have been created by the ordinance of 6th April 2017. FRPS (Fonds de Retraite Professionnelle Supplémentaire) regulated by the Code des Assurances, IRPS (Institutions de Retraite Professionnelle Supplémentaire) regulated by the Code de la Sécurité Sociale, MRPS (Mutuelle de Retraite Professionnelle et URPS (Unions de Retraite Professionnelle Supplémentaire) regulated by the Code de la Mutualité. All these IORP’s follow similar rules regardless of the Code they fall under.

Schematically an ORPS is close to Solvency I for capital requirements and Solvency II for pillars 2 & 3 (governance and reporting).

UK update was provided by Charles:

1. Plans to accelerate the rise in State Pension Age to 68 have been dropped. Currently the State Pension Age is 66, rising to 67 in 2026-2028 and then to 68 in 2044-2046.
2. New pension funding requirements will come into effect in the UK later this year. Requirement will be for all pension schemes to be fully funded on a low risk ("low dependency" basis – largely invested in matching bonds) by the time the pension scheme is "significantly mature" (approx. duration = 12 years) with a maximum of 3-6 years to correct any deficits.
3. The Pensions Dashboard project (whereby any UK citizen can access all their pension entitlements from all sources in a standard online benefit statement) which was due to start rolling out this summer has been delayed due to technical difficulties.

11. ANY OTHER BUSINESS

Gábor Borza mentioned that he will not be able to serve as a vice-chairman of the committee after the October meeting, so the PC's members are asked to consider to apply for the position of vice-chair.

12. DATE OF NEXT MEETING

Tatiana Bitunska invited all participants to participate in the next meeting that will be held in Cologne, Germany, on 5 October 2023 (tbc) at the invitation of the Deutsche Aktuarvereinigung and in conjunction with the AAE Annual Meeting.

Annex 0.1 Participants List

Participants Pensions Committee meeting
Bratislava | 20 April 2023
(14:00-17:30 CEST)

	Family name	First name	Member Association	Country	Role
1	Sorger	Hartwig	AVÖ	Austria	Observer
2	Moyzisch	Florian	AVÖ	Austria	Delegate
3	Demol	Philippe	IA BE	Belgium	Delegate
4	Bitunska	Tatiana	Bulgarian Actuarial Society	Bulgaria	Chairperson
5	Adelhardt	Susanna	Deutsche Aktuarvereinigung	Germany	Delegate
6	Economou	Maria	Hellenic Actuarial Society	Greece	chairperson SSSC
7	Borza	Gábor	Magyar Aktuárius Társaság	Hungary	Vice-chair
8	Párniczky	Tibor	Magyar Aktuárius Társaság	Hungary	Chair TF

9	Rodevand	Sissel	Den Norske Aktuarforening	Norway	Delegate
1 0	Shier	Philip	Society of Actuaries in Ireland	Republic of Ireland	Chair TF Review of IORP Directive
1 1	Bogataj	David	Slovensko aktuarsko društvo	Slovenia	Chair TF
1 2	Cowling	Charles	Institute and Faculty of Actuaries	United Kingdom	Delegate
1 3	Wasserman	Simon	FRC	United Kingdom	Observer
1 4	Mancebo	Maitane	Instituto de Actuarios Españoles	Spain	Delegate
1 5	Gavanou	Jean- François	Institut des Actuaire (France)	France	Delegate
1 6	Crenca	Giampao lo	ISOA	Italy	Delegate
1 7	Wolniewicz- Niemiec	Bogusla wa	Polskie Stowarzyszenie Aktuaruszy	Poland	Delegate
1 8	Clossick	Richard	Society of Actuaries Ireland	Republic of Ireland	Delegate
1 9	Claramunt	Maria Mercè	Col·legi d'Actuaris de Catalunya	Spain	Observer
2 0	Munk	Anders	Svenska Aktuarieföreningen	Sweden	Delegate
2 1	Candaux	Lionel	Association Suisse des Actuaires	Switzerland	Delegate
2 2	Kesala	Mari	Suomen Aktuaariyhdistys	Finland	Observer