



**GROUPE CONSULTATIF ACTUARIEL EUROPEEN**  
EUROPEAN ACTUARIAL CONSULTATIVE GROUP

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**MINUTES**  
**of a meeting of the**  
**PENSIONS COMMITTEE**  
**held in Vienna**  
**on Friday, 22 March 2013**

**Present:**

Falco Valkenburg (Chairman)

Peter Prieler

Philippe Demol

Chresten Dengsøe

Tony Airio

Richard Deville

Richard Herrmann

Agnes Matits

Philip Shier

Cinzia Ferrara

Jeroen van den Bosch

Jasmina Bojovic

David Bogataj

David Roberts

Pia Skaerbak

Het Actuarieel Genootschap

Aktuarvereinigung Osterreichs

Institut des Actuairens en Belgique/

Instituut van Actuarissen en België

Den Danske Aktuarforening

Suomen Aktuaariyhdistys

Institut des Actuairens

Deutsche Aktuarvereinigung

Magyar Aktuárius Társaság

Society of Actuaries in Ireland

Istituto Italiano degli Attuari

Het Actuarieel Genootschap

Serbian Actuarial Association

Slovensko Aktuarsko društvo

Assistant to Chairman

Groupe Consultatif Secretariat

**In Attendance**

Aline Lamoureux

Institut des Actuairens en Belgique/

Instituut van Actuarissen en België

Eugen Scheinker

IORP QIS working group

Séverine Gaille

Social Security Sub-committee

Marianna Papamichail

Social Security Sub-committee

Chris Daykin

Social Security Sub-Committee

Helena Dumycz

Institute and Faculty of Actuaries

Gary Hibbard

IAA

## **Apologies for absence:**

Tatiana Bitunska	Bulgarian Actuarial Society
Jacqui le Noury	Channel Islands Actuarial Society
Ksenija Sanjkovic	Hrvatsko Aktuarsko Društvo
Philippos Mannaris	Cyprus Association of Actuaries
Martin Podavka	Ceská Spolecnost Aktuáru
Jaanus Sibul	Eesti Aktuaaride Liit
Maria Ecomomou	Hellenic Actuarial Society
Steinunn Gudjonsdottir	Félag íslenskra tryggingastærðfræðinga
Stefano Visintin	Consiglio Nazionale degli Attuari
Ieva Ose	Latvijas Aaktuāru Asociācija
Gediminas Rackauskas	Lietuvos Aktuarijų Draugija
Claudine Gilles	Association Luxembourgeoise des Actuaire
Gunn Albertsen	Den Norske Aktuarforening
Wojciech Otto	Polskie Stowwarzyszenie Aktuariuszy
Carmen Oliveira	Instituto dos Actuarios Portugueses
Florin Ginghina	Asociatia Romana de Actuarial
Martin Kosztolanyi	Slovenská spoločnosť aktuárov
Henry Karsten	Instituto de Actuarios Españoles
Joan Angel Verges	Col.legi d'Actuaris de Catalunya
Björn Nilsson	Svenska Aktuarieföreningen
Konrad Niklewicz	Association Suisse des Actuaire
Alper Ünlenen	Actuarial Society of Turkey
Chinu Patel	Institute and Faculty of Actuaries
Antonina Redka	Society of Actuaries of Ukraine

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

- 1.1 The Chairman welcomed members to Vienna and thanked Arithmetica and Aktuarvereinigung Osterreichs for hosting the meeting. There were a number of new members at the meeting, which was opened with a round of introductions.
- 1.2 The agenda, as circulated, was adopted. A further copy is attached to these minutes as **Annex I.**

### **2. Minutes of previous meeting**

- 2.1 The date attributed to the Committee meeting held in Rome was corrected to 18 October 2012, following which the minutes were confirmed and signed.
- 2.2 The Committee considered, but decided to defer until the next meeting (Dublin, September 2013), a discussion on the Groupe's gender equality survey.

### 3. Review of IORP Directive

3.1 The Chairman gave a presentation (attached to these minutes as **Annex II**) covering

- The IORP review
- Educational note on Market Consistency
- OECD Working Group on Annuities
- EIOPA initiatives

In relation to the IORP review, the Chairman informed the Committee of

- the progress of the IORP Directive review;
- composition of a sub-group (working party) of the Committee considering EIOPA's Quantitative Impact Study (QIS)
- the Groupe's participation in meetings with various officials and other interested parties in relation to the QIS and broader IORP review; and
- an update on activities and timeline.

The Groupe's paper on Market Consistency was noted, recognising that it is an educational piece. However, there will be a further paper that will consider how to apply the principles from the first paper to pensions and insurance. Three Committee members – Nils Kortleve, Bjorn Nillson and Chinu Patel – have already volunteered to draft this; further volunteers are invited.

The OECD Working Group on Annuities is discussed at See item 6.4 below.

EIOPA's consultation paper CP-12-005 on Draft Implementing Technical Standards for IORPs was noted, together with the Groupe's response. EIOPA intends also to consult on an initiative for 3rd pillar pensions. This is expected to define the characteristics of products with a view to encouraging financial institutions to be more innovative and also facilitating cross-border provision. In relation to the latter, EIOPA may explore the concept of certification of certain products. EIOPA hopes to issue the consultation as early as May 2013.

3.2 Helena Dumycz offered an overview of two research papers commissioned by the UK Institute and Faculty of Actuaries. Both papers - one from Barrie and Hibbert, the other from PwC, relate to the valuation of sponsor support and each takes a different approach. The Barrie and Hibbert paper considers a stochastic valuation while that from PwC adopts a two-stage approach under which an initial simple valuation assesses whether the maximum covenant is clearly adequate. If it is not, the covenant is assessed in more detail. It was also noted that the UK Actuarial firm "Gazelle" has also published a paper on sponsor valuation. The Committee thanked Helena for her explanation and recognised the usefulness of these two papers within the debate.

3.3 It was noted that EIOPA has established a working group to consider sponsor support further. The group is due to convene its first meeting imminently and is charged with producing a draft report by the end of June. Eugen Scheinker and Craig Turnbull are the Groupe's link through to EIOPA.

3.4 The European Commission has asked the question "are there enough actuaries in Europe". The Groupe is understandably very supportive of the need for an actuarial function within pensions (whether DB or DC), but the presumption – based on the Groupe's previous survey and on the expectation that the IORP review may lead to a reduction in the number of IORPs – is that there are enough. The Committee believes that it would still be sensible to issue a survey to confirm or deny this presumption and proposes to base this on the Insurance Committee survey from around 3 years ago. However, this may be influenced by Pensions Europe's (PE) questionnaire (on behalf of EIOPA) on pillars II and III of the IORP review. This seeks views on the actuarial commitment to the IORP currently and how this could be affected by the IORP review. Philip Shier will consider whether a survey remains appropriate and how to take adequate account of the PE questionnaire.

#### **4. Portability**

The Committee noted the Groupe's position paper on the draft Portability Directive and considered a written question from Henry Karsten (Spain) on the paper's assertion that "the amounts calculated at date of leaving should maintain their real value". Members acknowledged that revaluation is a political decision and that although there is cultural expectation of revaluation within much of the EU, many non-EU countries do not include such provision.

The Committee considered that the use of the word "should" within the paper could be nuanced in a number of ways, including as an aspirational comment. It also considered whether revaluation might sensibly be linked to affordability, although recognised the experience of the UK whereby affordability-linked protections had been transformed into legal requirements over a number of years.

Uncertainty remains over legal issues around the dossier – including whether the Directive could be agreed under Qualified Majority Voting or would require unanimity (as previously). It is not clear how much progress will be possible under the current Commission, but the Irish government (which holds the EU presidency until June) has said that it hopes to broker a political agreement in Council.

#### **5. Sustainability of Pensions Systems; Social Security Sub-Committee (SSSC)**

5.1 Informal minutes of the SSSC's conference call on 10 January 2013 were noted.

5.2 Chris Daykin, chairman of the SSSC, gave an overview of the sub-committee's meeting from the previous afternoon (21 March). The SSSC's original paper on sustainability had

attracted considerable interest with multiple stakeholders and two dedicated working groups have been established to take this forward:

- ***Methodology for projections for the 2015 Ageing Report***

The working group is preparing a paper that it will deliver to ECFIN; it hopes to have a revised draft available within a week or so.

- ***Tracking services***

The working group is drafting a report that identifies how pension information is collected in Denmark, Finland, Netherlands and Sweden (countries considered to be amongst the most-advanced in this field). This will then be followed by a report documenting the approaches – and challenges faced – by other countries.

Other possible new areas of work include

- annuities and decumulation options; and
- how should adequacy be measured (i.e. by reference to what)

Formal minutes of the 21 March meeting of SSSC are attached as **Annex III**.

## **6. Links with other organisations**

### **6.1. Internal Market DG**

A meeting between Officers of the Groupe and staff of Internal Market DG in Brussels on 23 November 2012 was noted. Since then, Karel Van Hulle (Head of Unit that leads on Solvency II and IORP II) has retired. He is succeeded by Klaus Wiedner, an Austrian who was previously Head of Public Procurement within DG MKT. The Groupe has yet to meet Mr Wiedner. On 6 March Chris Daykin and Falco Valkenburg had an informal meeting with Jung Duk Lichtenberger.

### **6.2 EIOPA**

A meeting between Officers of the Groupe and staff of EIOPA in Frankfurt on 10 December 2012 was noted.

In addition Philip Shier gave an update on the workings of EIOPA's Occupational Pensions Stakeholder Group (OPSG), of which he is a member:

- EIOPA has informed the OPSG that it intends to publish its report to the EC on the preliminary QIS numbers
- EIOPA is due to undertake stress tests on IORPs this year. This is unrelated to the IORP review (although will clearly be of relevance) and EIOPA will offer more detail on how it proposes to progress this, at the next OPSG meeting
- A pension fund governance sub-group has been set up (headed by Charles Cronin).

### **6.3 IAA**

Gary Hibbard gave an overview of the IAA Pensions and Employee Benefits Committee held in Nassau on 15/16 November 2012. Minutes from the meeting had already been circulated and these were formally noted.

### **6.4 OECD**

It was noted that OECD has established a working group on the decumulation phase of pensions. The inaugural meeting of this group was held in Paris on 6 December 2012 and the Chairman attended in the role of discussant, at the group's invitation. The Pensions Committee may be a regular attendee - and contributor - to this group.

## **7. Information Exchange**

Claudine Gilles has offered to give an overview of Luxembourg pensions reforms (pillar 1) at the next Committee meeting.

The Chairman asked whether any other members might be prepared to provide a brief synopsis of the pension systems in their countries and the Czech and Slovenian members agreed to do so.

## **8. Any other business**

It was noted that the USA has agreed that pension schemes may use a discount rate smoothed over 25 years. The UK recently consulted on whether its pension schemes should be permitted to use a smoothed rate (although over a considerably shorter period than 25 years), but announced in its annual Budget (20 March) that it would not be pursuing this.

## **9. Date of next meeting**

It was noted that the next meeting of the Committee will be held in Dublin on 26 September 2013 at the invitation of the Society of Actuaries in Ireland, in conjunction with the 36<sup>th</sup> Annual Meeting of the Groupe.