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Pensions for the Public Sector

THE NEWSLETTER OF EAPSPI

# EUROPENSIONBULLETIN

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## EDITORIAL

For EAPSPI the year 2013 is synonymous with new faces and new structures.

After seven years of work in his capacity as secretary general, Hagen Hügelschäffer devotes himself from now on exclusively to his activity of deputy general manager of AKA. In the name of the whole association I would like to thank him sincerely for his excellent and efficient work carried out for EAPSPI. At the same time this is also the opportunity to introduce myself as the new secretary general of EAPSPI. The General Assembly of the association elected me for five years starting from 2013. I would like to thank all members for trusting me and I am already delighted of the new task.

As EAPSPI can boast about having gained new members in the last years, it seemed to be the right time to adapt the structures of the association to this evolution. This is why the General Assembly also decided that the Board of Directors, the strategic and political body of EAPSPI, would pass from five to eight members. The new members and their chair, Mia Liblik, introduces Hagen Hügelschäffer in his article to you, as "final act"

You can learn more about the activities of EAPSPI and its members through the following articles :

Claudia Wegner-Wahnschaffe is presenting you the portal "Find your pension" which aims to support European research and the researchers in Europe in pension matters. EAPSPI actively accompanies this project which is now entering its next phase.

Aitor Emaldi in his article is giving an account of the annual conference of the EAPSPI. This conference of October 18th 2012, in which first experts had taken part, was about the consequences resulting from the White Paper on pensions. The messages of Chris Verhaegen, president of the JIOPA Stakeholder Group, communicated during the EAPSPI conference, were joined together by guest author Barbara Bertolini of Institutional Money.

Best regards



Eva Kiwit

## 2013 – AHEAD WITH A NEW BOARD OF DIRECTORS

At its Annual General Meeting on 18 October 2012, EAPSPI's members elected a new Board of Directors that will now be composed of eight instead of five members plus a new Secretary General as a permanent Board member. This election and enlargement gives reason to a presentation of all Board members, which will be preceded by a brief introduction of the role of this committee within EAPSPI, its mission and the reason for the enlargement.

Besides the General assembly as the representation of EAPSPI's members and the Secretary General, who manages and represents the association in the daily business, the Board of Directors is the third leading entity of EAPSPI. It has got a supervisory and a strategic function at the same time. It controls the activities of the Secretary General during the year and furthermore develops the political orientations and strategy of the association.

The Board of Directors is restricted to only one member per Member State. This rule should ensure that the Board of Directors is representatively composed of members of the different European regions and of the different kind of pension schemes, i.e. the special schemes for civil servants as well as the supplementary pension institutions. Since 2010 the Secretary General has also belonged to the Board of Directors as a permanent member, however, without voting right.

Until the end of 2012, the Board of Directors was composed of five members elected for two years. The rule of (only) five Board members was introduced around ten years ago. In the meantime, EAPSPI has steadily grown and is now composed of 26 members out of 16 countries responsible for around 33 million insured and retired persons. It was therefore questionable whether to broaden the Board of Directors in order to give a voice to more members. The outcome of this discussion was the enlargement from five to eight members introduced

in the following section. Most of them have either been elected for the first time or they are relatively recent in the function as Board members:



**Mia Liblik**, CEO of KPA Life Insurance and Head of the Strategic Business Development department of KPA (Sweden), has been holding the **Chair** of EAPSPI's Board of Directors since 2012. Before joining KPA, she was responsible for communications at the Swedish Radio

and TV Authority. Later she joined a media intelligence company where she held various positions as Media Analyst and Consultant, Business Area Manager and Nordic Director Business Development.



**Amaia Aldasoro**, Vice-President of Elkarkidetza (Basque Country – Spain) is the longest standing EAPSPI Board member. She has been in the Board since 2006. After her studies in economics she worked for the Basque trade union ELA for 15

years and was furthermore member of the ETUC (European Trade Union Confederation) in Brussels, before joining Elkarkidetza, the Basque Country

local and county civil servants supplementary pension institution.



**Vincent Delsart** represents one of EAPSPI's founding members CDC (France), which ran the Secretariat General until 2005. He is Director of the department

Development and Institutional Relations since September 2011. Beforehand, he has acquired deepened experience in pension matters as manager of the Pension Schemes Division of the French Senate. During six years, he was responsible for the administration of the scheme, pension payments, actuarial projections and financial management of scheme reserves of around 1.5 billion Euros.



**Robert van Giersbergen** is Director of the Board of Advice of EAPSPI's Dutch member APG and hence responsible for the legal and actuarial advices to the institutional clients. He started his career at APG in 2006 as actuarial manager of the department Product

Research and Development where he advised both employers' and employees' representatives. Before starting his professional career, he has obtained masters' degrees in econometrics and in actuarial science. He has furthermore a post master degree in pension law and currently he is engaged in the post graduate course investment management.



**Borut Jamnik** is the Chairman of the Management Board of EAPSPI's Slovenian member Modra zavarovalnica since 2011. After graduating from the Faculty of Natural Sciences and Engineering at the University of Ljubljana, he completed an internship

and was later employed at the Agency of the Republic of Slovenia for Restructuring and Privatisation, where he took over the ownership transformation projects. In 1999 he started working for the Pension Fund Management of Kapitalaska družba, which later became a member of EAPSPI in 2010 and which is the founder and the sole shareholder of Modra zavarovalnica.



**Nunziatina de Nigris** is the Head of the Pension department of the Italian pension institution INPS, EAPSPI's second largest member in terms of the covered population. In this function, she is in particular responsible for research, study and analysis of legislation on pensions, the drafting of circulars and operating notes, for formulating advice to Ministries. Furthermore, she is responsible for proposals for adjusting the legislation through the development of hypotheses for the addition or modification of bills to be submitted to the competent bodies, for the preparation of single texts concerning various aspects of pensions and for the collaboration with other central departments of INPS.



**Richard Peters** represents one of the two German EAPSPI members VBL, the supplementary pension institution for the employees of the federal state and the German regions. Before being appointed as President and Chairman of the Executive Board in April

2012, he had various responsibilities within the Executive Board since he joined VBL in 1998. From 1991 to 1997 he worked for the Federal State of Thuringia where he held several leading positions in the fields of Human Resources and Labour and Social Law.



**Dr. Johannes Ziegelbecker** is a member of the Management Board of Bundespensionskasse, one of the three Austrian EAPSPI members. He has university degrees in economics and law and has worked in the pension sector since 1990. Therefore, he has become a leading member of the Austrian Association of Pension Funds and today he is one

of its deputy chairmen. Furthermore he was member of supervisory board of several companies in the employee benefits sector.

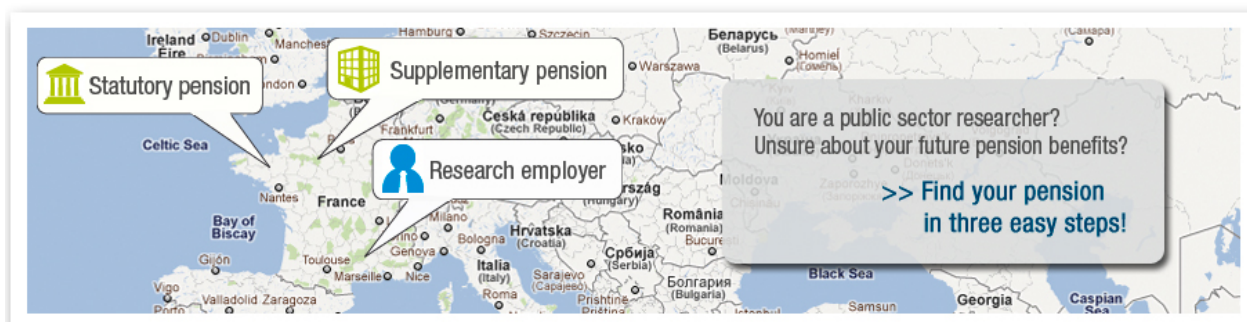


The introduction of EAPSPI's Board members will be completed with the new Secretary General **Eva Kiwit**. The trained lawyer started her professional career in 2006 at the Bayerische Versorgungskammer, the hosting institution of EAPSPI's Secretariat

General as well as of German association AKA. Before assuming the function as Secretary General as from 1 January 2013, she worked for the BVK Executive Board as well as for EAPSPI and AKA in legal and management matters.

[Hagen Hügelschäffer, AKA](#)

## THE FIRST “FIND YOUR PENSION” SEMINAR IN KARLSRUHE



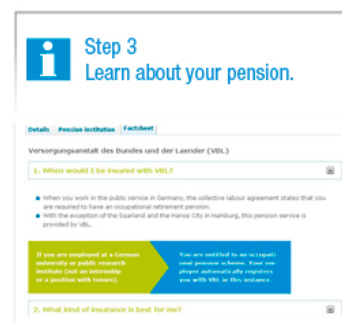
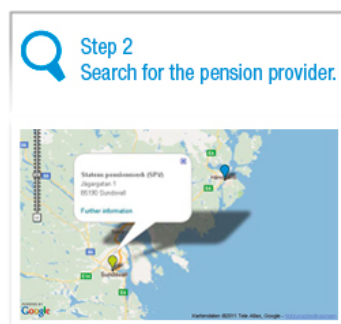
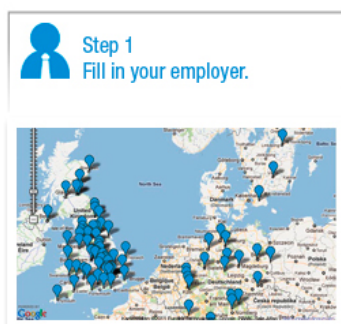
The first “Find your Pension” seminar took place on 27 and 28 September 2012 at the VBL conference venue. Representatives of European first and second pillar pension institutions as well as scientific participants (representatives of universities, research institutions, as well as German science ministries and the European Commission) met to find out more about the “Find your Pension” portal and to discuss its future form and operation.

The EPB has already published several reports on the “research partnership” project undertaken by VBL. Its purpose is to promote professional mobility of researchers working in public-sector research institutes and universities. These increased efforts to promote researcher mobility are undertaken against the backdrop of the increasingly tough international competition to attract and retain the best researchers. The central objective of the Europe 2020 strategy of the European Union and of its key “Innovation Union” initiative is to be supported, in particular, by the

European Research Area (ERA). This political initiative aims to improve the competitiveness of the EU by ensuring enhanced coordination of research activities at national and European level and making research in Europe more appealing for the best researchers in the world. Social protection and old-age pensions for researchers are among the means to reach the objective, given that the existing national first- and second-pillar pension systems can create an obstacle to mobility.

### The “Find your Pension” Portal for mobile scientists

One of the key points of the above-mentioned project, which is supported by the German Federal Ministry of Education and Research, is the “Find your Pension” portal, a knowledge system grouping information on the different pension systems in Europe. The information provided was initially supposed to be limited to supplementary pension schemes. Very mobile researchers, however, had some difficulty in identifying the different pillars or tiers of pension provision given





that they change positions and work locations very often, with the result that during their professional careers, they are often members of different pension schemes which may fall within all the pillars of the pension systems of their host countries. The issue of identifying which pillar the pension institution belongs to therefore becomes secondary. And to be honest, even experts have trouble consistently and clearly classifying the different forms of pension provision according to pillars or tiers.

The objective of the portal is to allow relevant monitoring of pension rights related to the different stages of the professional career of a mobile employee and thereby to facilitate management of the pension curriculum of researchers. The idea is to put together the different pieces making up a pension biography. That is why the portal now also provides information on basic pensions, or the first pillar of pension provision. The duration of the project and the support framework have been adapted accordingly. Thanks to its multi-pillar concept and to the information intended for employers, the portal represents a unique and comprehensive source of information that can be used not only by research scientists, but also by employers and pension institutions. With this tool, mobile scientists can directly obtain all the important information they need. At the same time, the portal is a knowledge system that can also be used by customer account executives within pension institutions, human resources departments and advisors in research institutions. For employers, recruiting and supporting international mobile researchers often involves complicated issues related to pensions. What human resources department is able or willing to provide information on the existence of qualifying periods for the various basic or supplementary pension systems in Europe, on taking periods into account or on the relevance or possibility of portability/transferability of present values. In the future, the portal will provide answers to these questions. Where it is impossible to give generally binding answers, links or contact addresses will be provided.

### **Building a knowledge network**

We are currently building the portal and the relevant information is being added. To ensure the quality of the information and include as many pension institutions and schemes as possible, it is necessary to create a network, because high quality and up-to-date information can be provided only through the involvement and cooperation of European pension institutions and scientific employers. In the medium term, they will also have the possibility of updating information themselves thanks to a login.

In the space of a year, many organisations, federations, pension institutions and employers have become aware of the importance of involvement in the portal. Through the participation and commitment of organisations and stakeholders, we are already benefiting from existing networks, making communication and cooperation much easier. EAPSPI is an official partner, alongside other associations such as ESIP or partner scientific institutions. The European Commission supports the project in the framework of initiatives of the Directorate General for Research and will take part in the process. In May 2012, we presented the project and in particular the new website to the European Commission in the framework of a meeting of the ERA Steering Group on Human Resources and Mobility (SGHRM). Thanks to cooperation with the EURAXESS Services Initiative of the European Commission and the national centres involved, which are already familiar to many scientists, we have been able to significantly increase our name recognition among researchers. This also makes it possible to keep the useful addresses for employers up to date.

### **The first “Find your Pension” seminar in Karlsruhe**

The first “Find your Pension” seminar organised in September 2012 brought together representatives of the various stakeholders in the network for the first time. The first day was devoted to presenting the “Find your Pension” portal, followed by presentations of the EURAXESS portal as well as of two national tracking services from Sweden and

the Netherlands (Dutch Pension Register and Min Pension). A representative of the European Commission informed participants of the current status of efforts to create a pan-European pension fund for researchers.

On the second day, participants discussed the form and content of the information proposed by the portal in the framework of two workshops, on basic pensions and supplementary pensions respectively. The two working groups consisted of representatives of first-pillar and second-pillar pension institutions as well as many researchers. It was therefore possible to analyse the fact sheets from different viewpoints. The ideas and proposals of many university research advisors were particularly enlightening given that they are the ones who facilitate the welcome of mobile researchers and who provide information on themes such as health insurance and pensions. This means that they are familiar with the target group and with the questions and problems that arise.

The workshop discussions were very interesting and instructive for us, as pension institutions. How much detail should we go into and how much time will researchers devote to understanding the often complex issue of pensions? Are the answers provided understandable for non-experts? During the stimulating discussions moderated by Hagen Hügelschäffer (EAPSPI) and Dr Wolfgang Schulz-Weidner (ESIP), very concrete suggestions for improvement were made. We have decided to organise joint workshops regularly so as to constantly optimise the “Find your Pension” portal. The next workshop is scheduled to take place in late autumn 2013.

#### **Easier mobility thanks to better information from a single source**

Professional mobility and pensions are still high up on the European agenda. These are also key issues in the White Paper on Pensions published by the European Commission in February 2012. As emphasised by a representative of the Ministry for Innovation, Research and Education of North Rhine-Westphalia, “Pension systems in Europe are

as different as the Member States themselves, and we don't want to change that”. But to help mobile researchers better manage their diverse pension biographies, we need reliable information and transparency. To achieve that, the different pension institutions need to work together. The issue is not merely to “track” the pension biography, but also to ensure that employees are familiar with this often formidable theme of pensions, to allow them to better assess and plan their pensions. The “Find your Pension” portal is the first comprehensive (multi-pillar) pension information system at pan-European level, aimed at one of the most mobile groups of employees in Europe. This is a quick and easy-to-implement solution to meet the “mobility and pension” challenge.

[Claudia Wegner-Wahnschaffe, VBL](#)



## EAPSPI CONFERENCE 2012: EUROPE'S AGENDA FOR ADEQUATE, SAFE AND SUSTAINABLE PENSIONS

After its 2012 Annual General Meeting, EAPSPI's Conference took place in Vienna on 19 October, organised by its Austrian member VBV. Under the title "Designing the future of pension systems – Europe's Agenda for Adequate, Safe and Sustainable Pensions" several presentations and two different panels discussed issues of the utmost relevance for the (public) pension sector.



In his address of welcome, **Günther Schiendl**, Board member of the organising institution VBV, highlighted some general ideas as could be the current mismatch between asset and liabilities as well as the expensive prices the markets have for securities. He

also pointed out a need of life cycle investment at this very moment which represents a challenge for actuaries and their imagination to create new and appealing products. The opportunities that appear in times of crisis go along with the urgent need to save more with retirement in mind.

When **Mia Liblik** - Chair of the Board of EAPSPI - took the floor, she made a brief presentation about the recent developments at EU-level and their impact on public sector pension schemes. With tracking services and information requirements for the scheme members being a current issue, she introduced the "Find Your Pension" portal, the recent project of VBL in cooperation with EAPSPI and some of its members. The portal enables mobile researchers to find out about first and second pillar pension rights and the respective pension provider (for details see the article of Claudia Wegner-Wahnschaffe, p. 5). Regarding the idea of pension mobility, she mentioned the EAPSPI Mobility Report which outlines portability between EAPSPI members and the main obstacles of practising portability or mobility. As pension-related work of the European institutions she particularly high-

lighted the IORP Directive and the Solvency II regime including the Holistic Balance Sheet concept of EIOPA with the danger of higher costs for the IORP as a highly possible outcome.



External guest **Dr. Thomas Url**, research member of WIFO (Austrian Institute of Economic Research) in the areas of Macroeconomics and European Economic Policy, firstly stated some facts: Europe has public pension systems that are

usually unfunded and under pressure by demographics as the labour population shrinks. The diversity of the European expenditure in pensions as a percentage of GDP of the Member States stems from the different pension developments and demographics. Therefore, the European expenditure for old-age income will increase in the near future due to retirement benefits and old-age care expenses. The coverage ratio of the public first pillar will decrease, although later retirement will reduce the effect. Statistics show that in Europe, on average, - using 2010 data - after 36 years of paying contributions to the first pillar a European citizen receives a public retirement pension for 20 years, while the forecasted figures for 2060 are 39 years of contributions for 26 years of pension payments. As a result of his studies, it seems reasonable for the different European governments to support longer working lives, funded pension systems, increasing labour market participation of women and older workers, reducing early retirement, and public debt reduction policies. An idea stated and to be underlined is the difficulty of deploying funded systems in a time of low interest rates, a circumstance that could be present in the markets for some years ahead.

This introductory part was followed by two panels, both of them preceded by presentations made by

external guests with a deep background on the subject.



Prior to the first panel, **Fritz von Nordheim Nielsen**, a social protection expert specialised in pensions and population ageing from the European Commission's Directorate General Employment and co-author of the White Paper on Pensions gave a further key

note speech. His presentation "The White Paper on Pensions - Safeguarding national pension systems" started with the idea that pensions are a national issue, although he declared there should be coordinated policies as they are part of the European Social Welfare system, being therefore an EU concern. Fritz von Nordheim referred to the second Annual Growth Survey of 23 November 2011 in order to reason some of its findings:

- High employment rates (around 75%) can only be achieved by delaying retirement ages.
- Complementary pensions and private pensions are different issues, the difference falling in the basic design of the systems.
- Some figures show a fairly grim future path of European old-age towards poverty under the present circumstances: the dependency rate will move from the current 26% to 58% by the year 2060, while pension expenditure as a percentage of GDP will heavily increase, burdening public finances and reducing governments' manoeuvrability.

In order to modify the possible future outlook, Fritz von Nordheim suggested persuasion as a more effective measure than legislation towards coordinating the objective of reaching 2020 aims and promoting retirement savings.

It was then time for the first panel "**The White Paper on Pensions - Risks and opportunities for national pension systems**", moderated by Brendan Maton, pensions and investment journalist, and composed of the following EAPSPI members:

- **Amaia Aldasoro** (Elkarkidetza, Basque Country)
- **Philippe Desfossés** (ERAFF, France)
- **Johan Janssens** (SdPSP, Belgium)
- **Björn Selander** (KPA Pension, Sweden)
- **Claudia Wegner-Wahnschaffe** (VBL, Germany)

Some ideas could be summarised from the panel:

- First pillar pensions usually - there are exceptions as in the Netherlands - are income-related and not residence-related. Therefore, there is a risk of poverty on this side if someone's contributions are low, short in time, or even non-existent.
- Demography: In terms of pension-solidarity, there is a link between generations; governments manage it for the first pillar usually via a PAYG contract. One of the tasks of occupational pension funds is to manage it for second pillar pensions, trying to solve possible imbalances since forecasts for the future are quite challenging. There are, however, positive examples like Sweden who faced the situation and managed to adapt their national pension system so as to solve the demographic imbalance. At the moment, Sweden is a country ready to face a crisis they did not foresee, and the pension model is in place and working according to expectations.
- Customer information: The lack of interest in pensions, especially of the younger generations is a challenge, especially the case of young workers now joining the labour market. Sweden, Denmark and the Netherlands have found ways to offer information, particularly via tracking services such as minpension.se and the Stichting Pensioenregister. The "Find your Pension" initiative also aims to facilitate the approach towards retirement provision.
- Pension background: Individuals must contribute to their retirement savings, and pensions are an income-smoothing instrument. However, at the time of defining the pension system models it should be borne in mind that the responsibility for the design is with the pension funds: workers and/or citizens in general do not have a very high level of financial

expertise and are not necessarily able to be their own “portfolio managers”.

- At the time of measuring pension fund performance, fees are a central issue.



The second panel “Solvency II and IORPs - Will they ever come together?” started with the key note speech of **Chris Verhaegen**, Chair of the Occupational Pensions Stakeholders Group of EIOPA as well as member of the Insurance and Re-insurance Stakeholders Group of EIOPA. The Occupational Pensions Stakeholders Group is a body where consumer organisations and trade unions are represented, and is a mean for exchange and for the European institutions to receive pension funds’ input. In her speech, she gave a brief introduction to the Solvency II Directive and presented several facts that could take place in case Solvency II was implemented in the IORP Directive, e.g. a major shift from shares to bonds (around 750 billion €) with an enormous effect on the financial markets. She also pointed out that only the largest pension funds will be able to cope with the already proposed QIS (Quantitative Impact Study) exercise due to their complexity. For more information on Chris Verhaegen’s speech, see the article of Barbara Bertolini, p. 11.

Afterwards, the following five panellists explained the position of their institutions on the subject in a **second round table**:

- **Leo Bessems** (APG, the Netherlands)
- **Hagen Hügelschäffer** (AKA, Germany)
- **Borut Jamnik** (Modra Zavarovalnica, Slovenia)
- **Lars-Åke Vikberg** (KPA Pension, Sweden)
- **Dr. Johannes Ziegelbecker** (BPK, Austria)

Some ideas could be summarised as most of the panellists, if not all, agreed with them:

- After giving some practical figures about the institutions represented, they stated that second pillar institutions show much lower cost

compared to the commercial third pillar institutions.

- Furthermore, mostly the insurance companies and the European Commission are advocating for a level playing field for all retirement benefit providers, i.e. insurers and pension funds. There are arguments against it as the occupational pension providers are different from insurance undertakings due to their own nature, as they are – for example - no commercial pension providers.
- The possible application of Solvency II for IORPs could result in a big market for actuaries and consultants at high costs for IORPs.
- Furthermore, the unnecessary hurry of the current process without any comprehensible explanation for it was criticised since the deadline for the official implementation of Solvency II for the insurance sector is steadily postponed hence proving not to be extremely successful. And finally, it is worth being noted that insurers have already undertaken five QIS whereas IORPs will soon undertake the first one.

[Aitor Emaldi, Elkarkidetza](#)

**WHAT DOESN'T GO TOGETHER SHOULD STAY APART - CHRIS VERHAEGEN AT THE EAPSPI CONFERENCE**

The General Meeting and International Conference of EAPSPI took place in Vienna from 18 to 20 October 2012. In addition to presentations such as "The White Paper on Pensions - Safeguarding national pension systems" or "Economic aspects of pensions and EU pension initiatives", the talk given by Chris Verhaegen, Chair of the Occupational Pensions Stakeholder Group of EIOPA (European Insurance and Occupational Pensions Authority) was of great interest to the international participants.

In her presentation entitled "Solvency II and IORPs: Will They Ever Come Together?" Ms Verhaegen addressed the essential issue of whether Solvency II could apply to pension schemes as well, or not. Ms Verhaegen does not appear to be in favour of an extension of the provisions of the Solvency II directive, initially designed for insurance undertakings. Questions on this issue were answered by a clear "No" and she asked that different prudential framework conditions be defined for insurance undertakings and pension institutions (in particular pension schemes). In the first part of her presentation, Ms Verhaegen explained the operating mode of Solvency II and emphasized the fact that certain key points of the Solvency II directive will be expanded to the IORP directive applying to pension schemes. The participants present were particularly interested in the timeline for actual application of the Solvency II directive. In light of the disagreements among political decision-makers (in particular, the European Parliament insists on sufficiently long assessment periods), no final application date has been set. Industry experts consider that it will be in 2015 at the earliest, or perhaps even later.

In the second part of her presentation, Ms Verhaegen explained the reasons why application of the Solvency II directive to pension schemes would not make much sense. She emphasised that "different institutions require different forms of regulation".

Even in terms of numbers, there are many more pension institutions than insurance undertakings, 140,000 compared to 4,700. Strict application of Solvency II to occupational pensions (in light of the higher own funds requirements) would, in the long term, lead to higher labour costs (including higher pension costs) and to reduced pensions for beneficiaries, given that institutions would have to purchase less shares and more bonds with lower yields, but considered to be "safer". Increased pension costs would cause business investments to drop, thereby leading to lower economic growth, which would, in turn, be detrimental to public budgets. There would also be far-reaching reorganisation of financial markets, with a move away from shares and towards bonds, should pension schemes and other provision institutions be subject to regulations like those set forth in Solvency II. The effort to achieve greater safety in the financial system with a more procyclical investment strategy would thwart the strategy of major institutional investors, thereby leading to much greater idiosyncratic risks. A reduction of the share portfolios of European pension schemes could make it necessary, on the European stock market only, to sell securities to the amount of some 750 billion Euros. Ms Verhaegen warned that this would naturally have an impact on the prices of these assets.

In the third part of her presentation, Ms Verhaegen commented on the current status of the Quantitative Impact Study (QIS) conducted in autumn 2012 in nine EU member states. The results published in 2013 could lead to alleviation of the directives to be applied.

The last part of the presentation addressed the future challenges for European pension systems. Ms Verhaegen ended her presentation with an appeal: "Revision of the IORP directive should not jeopardise retirement provision!"

Barbara Bertolini, [Institutional Money](#)