

11TH TRANSATLANTIC CONFERENCE REPORT



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WORLD
PENSION
ALLIANCE



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Representatives from Europe and North America met for the 11th Transatlantic Conference from Wednesday, June 19 through Friday, June 21, 2019 in the small hamlet of Bolton Landing in the Adirondack Mountains region of upper New York state.

This edition of the annual Transatlantic Conference was hosted by the U.S. National Coordinating Committee for Multiemployer Plans (NCCMP) and co-organized jointly by the European Association of Paritarian Institutions (AEIP), the Multi-employer Benefit Plan Council of Canada (MEBCO), and the World Pension Alliance, chaired by PensionsEurope for the day devoted to pension topics.

According to co-organizers NCCMP, MEBCO, and AEIP, *“The Transatlantic Conference is a joint effort as part of the International Consortium of Advocates for Worker Benefit Security to consider topics of broad interest to jointly trusted pension and health plans across the U.S., Canada and Europe. The conference brings together leading experts in pension and health benefits, trustees and plan professionals from around the world to share knowledge and experiences relating to jointly trusted benefit plans.”*

19 JUNE 2019 – PENSIONS

Wednesday’s events began with the official welcome and opening of the day given by **MICHAEL SCOTT**, NCCMP; **ROBERT BLAKELY**, MEBCO; **BRUNO GABELLIERI**, AEIP; and **MATTI LEPPÄLÄ**, WPA.

The first 90-minute session was entitled Sustainable Finance & Alternative Investments and centred on the increasing focus on Environmental, Sustainable, and Governance (ESG) factors, as well as ‘green investing’. Key speakers were **EDWARD SMITH**, President and CEO, ULLICO; **KRISROFF WOUTERS**, Head of Pensions and Insurance Relations, Candriam Investors Group; and **CARL ELIA**, VP of Alternative Investments, TD Asset Managers. The panel discussion was moderated by **CHRIS BROCKMEYER**, Director of Employee Benefit Funds, The Broadway League.

CARL ELIA's presentation, ESG Investing in Real Assets, focused on the current regulatory environment in Canada and the increased focus on sustainable investing. He revealed how TD Greystone is developing a sustainability policy that commits to reducing energy use, waste output, and generating and procuring renewable energy among other goals.

KRISTOF WOUTTERS's presentation, Sustainable Investing in Europe, Latest Trends & Initiatives, showed how there are a number of initiatives and developments worldwide that are emerging from 'niche' to 'mainstream' in terms of ESG/SRI, including general initiatives such as the UN Global Compact of 2000; disclosure initiatives such as the Global Reporting Initiative and Carbon Disclosure Project; and regulatory initiatives for institutional investors. He pointed out that climate related risk is a major consideration as climate change becomes ever more economically material. Woutters also went over the impacts of various ESG approaches and discussed the approach Candriam favours.

The next 90-minute session was entitled 10 Years After the Great Recession: How Have We Recovered, and What Have We Learned?, and presented by **JOHN DEMAIRO**, President and CEO, Segal Marco Advisors. DeMairo reminded us of 2008 and 2009 when pension funds suffered the greatest losses since the Great Depression. The focus of his presentation dealt with four major questions: Have pension funds recovered? How has this changed pension

fund investing? What have we learned? What supervisory tactics are now in place as a result? He began the presentation by giving an overview of the causes of the global financial crisis, the fallout, and the fixes that were made to repair the system. Ten years later, equity markets have seen significant advances, while U.S. Bond yields and returns have held somewhat steady over the decade despite lags in 2012 and 2016. The U.S. also boasts a historical optimal portfolio with overweight U.S. large cap stocks; protection and consistency in the bond market, and solid income and appreciation in the U.S. real estate market.

The second presentation was given by **ROMAIN DESPALINS**, senior statistician with the OECD. Mr. Despalins discussed the international comparisons of the impact of the financial crisis on private pensions, as well as the responses of the stakeholders in the private pension sector to the financial crisis, the trends since then, and the challenges ahead. Despalins explained that the financial crisis affected the most systems with the largest share of pension fund assets in equities, and that the impacts of the event differed by types of pension arrangements. The financial crisis also triggered an economic crisis with higher unemployment, which had a spill-over effect as members have more difficulty contributing.

Responses included an IOPS study in 2018 that accounted for differences in behaviours by different strategic decisions and institutional frameworks, such as strategic asset allocation benchmark in Italy, and investment portfolios chosen by members in Chile. Other responses included more flexibility for DB plans, introduction of mechanisms in DC schemes that reduced investment risk, and alleviation of some restrictions on pension fund investments for greater diversification of pension fund portfolios (with some exceptions).





Trends include positive long-term investment returns in real terms in most countries, despite the crisis, and a move by pension funds away from equity investments. The challenges ahead are still the same, however, with an aging population, low interest rates, as well as investment and longevity risk faced by pension funds and pension providers. Diversification of pension arrangements may, he said, offer protection against the different types of risk that pension systems may face.

These presentations were followed by a panel discussion moderated by **MONTÉ TARBOX**, Executive Director of Investments, National Electrical Benefit Fund, and Remarks by **JOHN DEMAIRO**; **GERARD RIEMEN**, Managing Director, Federation of the Dutch Pension Funds; and **ROMAIN DESPALINS**.

The afternoon's presentations got underway with Addressing Pension Fund Solvency with **TED GOLDMAN**, Director of Policy, Research and Analysis Department, Pension Benefit Guaranty Corporation. This session explored the importance of how pension fund solvency is defined, how plan trustees are able to manage plan solvency, and how are pension benefits guaranteed or backstopped around the world. Goldman's presentation addressed the changing landscape of pensions and how solvency has become a real concern for many people. He also explained how PBGC encourages continuing voluntary private sector defined benefit pension plans and pledges to provide timely payment of benefits while maintaining premiums at the lowest level necessary to meet their obligations. He also discussed Multiemployer Program insolvency risks, stating that about 10

percent of 1400 plans are at risk of insolvency within the next 20 years, potentially impacting about 1.3 million participants, and how the Multiemployer Pension Reform Act of 2014 can help reduce the chance of plan insolvency, yet there are still hurdles to overcome, including attempts to educate lawmakers that have fallen short of a solution.

CAMERON HUNTER presented the Canadian view with his talk, Pension Funding Evolution in Canada, in which he discussed pension funding rules in Canada. There are different laws for each province, he explained, and with traditional pension funding, actuarial judgement is a concern, while solvency is seen as a market value. Yet plummeting interest rates equal skyrocketing solvency liabilities, and the financial crisis of 2008 created unsustainable contribution requirements while target benefit plans were faced with substantial cuts, and the flaws in solvency funding were beginning to show. The regulatory responses included creation of a shared risk plan, removal of solvency funding, and introduction of Provision for Adverse Deviation (**PfAD**), which provided for a reserve held on balance sheet, with varied levels, and is generally not funded on the balance sheet but generally required in the cost of benefits. **PfAD**, he explained, creates volatility in funding if it changes substantially from one valuation to the next, and is additive, not inclusive, of unfunded amortization payments. Hunter also discussed its impact, which could mean that margins are stripped out of assumptions, that lower, more secure benefits could result, and that it may lead to intergenerational inequities. He observed that

PfAD
Provision for Adverse
Deviation



solvency funding needs to be permanently removed and replaced with a reasonable **PFAD** applied appropriately.

The panel discussion was moderated by **TED GOLDMAN**, **CAMERON HUNTER**, **RAFAEL QUEVEDO**, Principal Economist-Statistician, European Central Bank, and **RICHARD INGRAM**, Executive Director, Teachers' Retirement System of the State of Illinois

The segment Innovation in Plan Designs focused on innovative plan designs either in use or under consideration throughout the world, including target benefit design plans in Canada, as well as composite and variable annuity designs in the United States. The session featured four presentations; the first given by **ROBERT A. WYLIE**, Executive Director, South Dakota Retirement System. Wylie's presentation, The South Dakota Perspective, focused on South Dakota's experience with meeting the challenge of providing sufficient retirement benefits at a reasonable cost for public employees of his state. A disciplined approach to plan management, innovative practices, and effective and responsible governance are key to achieving the SDRS objectives and went on to show how the current SDRS structure works, including providing funding thresholds that, if crossed, require the SDRS Board of Trustees to recommend corrective actions.

DAVID DEAN, Senior Vice President and Actuary for Segal Consulting, presented a discussion about multiemployer pension plans including design considerations, and options for alternative plan designs. He covered highlights of the PBGC FY 2017 Projections Report that indicate that the multiemployer program is projected to become insolvent around 2025 and that the projected average deficit is about \$65 billion. Premiums, he said, must increase by more than six times to support the program for the next 20 years, and that greater premium



increases are needed to extend solvency longer. Planning design considerations should include finding a balance between benefits, contributions, and risk, he said, and managing pension risks cannot completely eliminate these risks, and that many solutions involve 'hybrid' plans that apply only to future benefits and where liability remains a major concern. In most cases some, but not all, risk is transferred. Options for alternative plan design include a DC plan that encompasses freeze and start DC plans, as well as hybrid plan options such as a cash balance, variable accrual, variable annuity, or composite plan.

A panel discussion followed, moderated by **ERIC MULLER-BORLE**, Founder, Global Benefits Vision; and with **DAVID DEAN**; **ALEX MCKINNON**, Head of Research, United Steel Workers; **CHRISTIAN LEMAIRE**, Global Head of Retirement Solutions, Amundi; The Hon. **NICHOLAS SHERRY**, Chair, Household Capital; and **SANDY MATHESON**, Executive Director, Maine Public Employees Retirement System.

The Close of Day was given by **MICHAEL SCOTT**, NCCMP, and **MATTI LEPALLA**, WPA.

Attendees were then treated to a wonderful Cocktail Cruise around Lake George aboard The Morgan, a replica 19th-century touring vessel, an event generously sponsored by ULLICO.

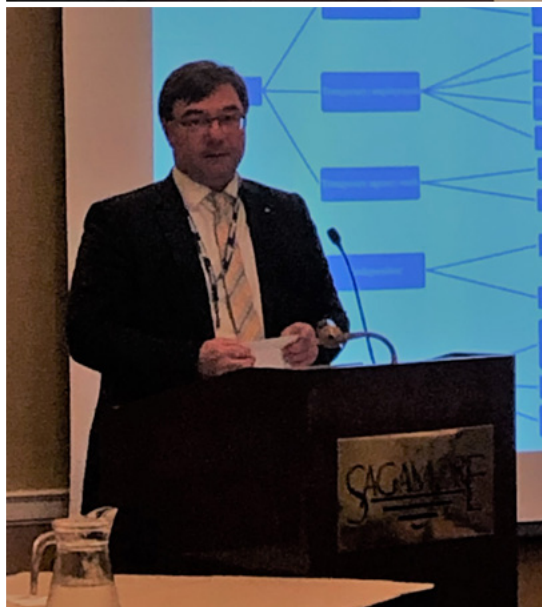
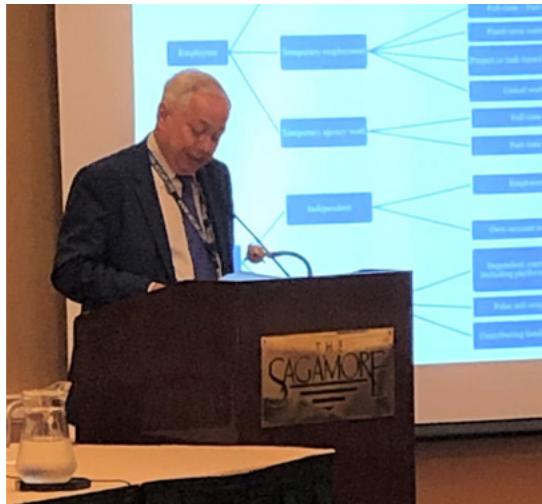
THURSDAY, JUNE 20 - HEALTH

Thursday began with **MICHAEL SCOTT's** Opening of the Day.

Attendees then listened to presentations The Future of Healthcare: Policy Objectives in the United States, Canada, and Europe where presenters discussed the most pressing healthcare policy questions in their national debates, as well as the broader implications of the outcomes. The keynote speakers were **CAROLYN SMITH**, Counsel, Alston & Bird LLP. Smith, and **RON LOUCKS**, founder and chief executive of NexgenRx in Ontario, Canada.

SMITH's presentation, The Future of Healthcare: Policy Objectives in the United States, discussed the state of current U.S. health coverage in the U.S., comparing it with U.S. health insurance before the Affordable Care Act (**ACA**) was passed in 2010. Focusing on the **ACA**, Smith covered its initial reform focus through the "second wave" in 2014 that increased access, affordability, and quality. After the attempt in 2017 to repeal the **ACA**, there have been post-repeal/replace incremental legislative changes including a new round of litigation. The Democrats regained the House of Representatives in 2018, however, and are making Medicare for All a main plank in their platform, with House

ACA
Affordable Care Act



leader Nancy Pelosi arguing for shoring up the **ACA**. This is sure to be a 2020 Presidential campaign issue.

RON LOUCKS presented a talk entitled *The Future of Healthcare: Policy Objectives*, pointing out that Canada's system of Universal Medicare is a reparative model that focuses on managed access instead of managed care, with effort going into reducing wait times for non-emergency, urgent, and elective treatments. He mentioned that Canada's politicians always speak about greater access in their election promises, and that nothing is more talked about today as a policy objective than Universal Pharmacare, which is a major promise made by the Federal Liberal Party. At issue in terms of policy is the fact that the Liberal government led by Justin Trudeau is not going to be sustainable for more than one term and that the next administration will have to shoulder the responsibility of pushing National Pharmacare.

After a break, the presentation topic turned to Mental Health in the Workplace, which discussed trends in mental health coverage and policy.

The keynote was given by **PAMELA GREENBERG**, President and CEO, Association for Behavioural Health and Wellness; **JOSEPH RICIUTTI**, President and CEO, SEB Benefits & HR Consulting; and **PAUL E. TER WAL**, LLM, CSP, CEO Team ANDARE. Greenberg's presentation dealt with the top behavioural issues for health care plans in the U.S. including mental health parity, the opioid crisis, telehealth, patient directed care and others.

JOE RICIUTTI presented *Workplace Mental Health, A Canadian Perspective: One Legal, One Logical*, which revealed a focus on mental injury, an emerging workplace issue attributed

to psychosocial risk factors and the trend toward legal responsibility of organisations to insure a psychologically safe and healthy workplace.

PAUL TER WAL discussed the Netherlands and how they deal with aging and mental health in the workplace, most specifically burnout and work stress and how there needs to be 24/7 mental care available to deal effectively with workplace mental health issues.

The afternoon of the second day got underway with a presentation about The Legalization of Marijuana, dealing with such questions as: What does legalization mean for plan participants? Are there concerns about plan participants rights? Keynote speaker **RONALD PINK**, Q.C., Pink Larkin, presented Medical Marijuana: The State of the Law in Canada, which discussed the new laws legalising marijuana for recreational use, the definition of 'impairment,' and accommodating the use of medically-prescribed cannabis in the workplace, as well as how benefits plans deal with medically-prescribed cannabis.

ROBERT BLAKELY, President, MEBCO, presented Weed: Was Willie Nelson always right?, which discussed the legal intricacies of legalisation, arguing that there are still many arguments against the efficacy of marijuana as a recreational drug, and the rights and responsibilities of employers when dealing with employees who use recreational marijuana.

The panel discussion was moderated by **PINK**, **BLAKELY**, and **TER WAL**.

The late afternoon session, Managing Societal Costs of Disability, considered the holistic approach to managing the societal costs of disability currently underway in Finland, as well as the various other approaches to disability throughout the world. The keynote, by **JAAKKO KIANDER**, CFO, Ilmarinen, the Finnish Alliance of Pension Funds, was entitled Finnish pension



system and disability risk management. Kiander went over how Finland has managed its national pension system.

A PANEL DISCUSSION followed, moderated by **BONNIE SUMMERS**, Executive Director, BCBS Association National Labor Office, with remarks by **DAVID BRENNER** of Segal Consulting, **ERIC EGAN** of ManuLife, and **HUGH C. HART**, GBA, VP, Sales and Account Management at NexgenRx, along with **JAAKKO KIANDER**.

FRIDAY, JUNE 21 – CARING FOR NON-TRADITIONAL WORKERS

Friday's sessions began with Opening of the Day remarks by **MICHAEL SCOTT**. The first session was entitled New Forms of Work / The Gig Economy European Commission Study. Keynote speakers were **MATTI LEPPÄLÄ**, Secretary General and CEO, PensionsEurope and Chair, WPA; **DAN DOONAN**, Executive Director, National Institute on Retirement Security; and **BERND MERZ**, BG BAU Germany & International Social Security Association.

MATTI LEPPÄLÄ presented the challenges facing pension systems with a changing global workforce, especially with the structural changes in the world labour market, where a growing number of people are moving toward non-standard forms of employment. He added that European institutions understand this major shift together with the heavy repercussions for our existing social security systems, coming up with policy advice and initiatives with a holistic approach such as the European Commission's High Level Group on Pensions.

DAN DOONAN's presentation, Insights on the Future of U.S. Retirement Challenges, discussed the effects of job-hopping on pensions, and the increasing needs of millennials when it comes to planning for retirement, and the key factors

affecting the likelihood of pension coverage in the workplace. His presentation made clear that the younger generations in the U.S. do not perceive solidarity and social cohesion in the same way as their forefathers, which has great consequences on the design and social coverage of traditional welfare systems.

BERND MERZ's presentation discussed numbers and percentages of people either in the gig economy or considering joining it, and what services gig workers provide, as well as the dependence of gig workers on their employment as a supplement for some other form of income. He also discussed demographic scenarios resulting from gig employment in the EU.

A panel discussion followed, moderated by **SHAWN HAGGERTY**, President, UFCW Local 175; with **WERNER BEULEN**, Construction Policy Secretary, The European Federation of Building and Woodworkers; **DOMENICO CAMPOGRANDE**, Director Social Affairs, European Construction Industry Federation; and **DANA SCHÄFER**, SOKA BAU, with a closing statement by **WALTER SAILER**, SOKA BAU. Ms Schäfer explained the decisive influence of social partners and their paritarian institutions on the European Social Model, since in many European countries these institutions regulate important industry-specific aspects of working life, covering vocational training schemes, paid leave schemes or occupational pension schemes. Most importantly, the paritarian institutions secure social and economic standards, particularly by financing modern vocational training for a digital labour market, thus fostering the skilled workers of tomorrow.

Noon on Friday saw the close of conference with final remarks by **MICHAEL SCOTT**, **ROBERT BLAKELY**, and **BRUNO GABELLIERI**, Secretary General of AEIP. ∞





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