

# Matinale IAS 19

Octobre 2022

# Agenda

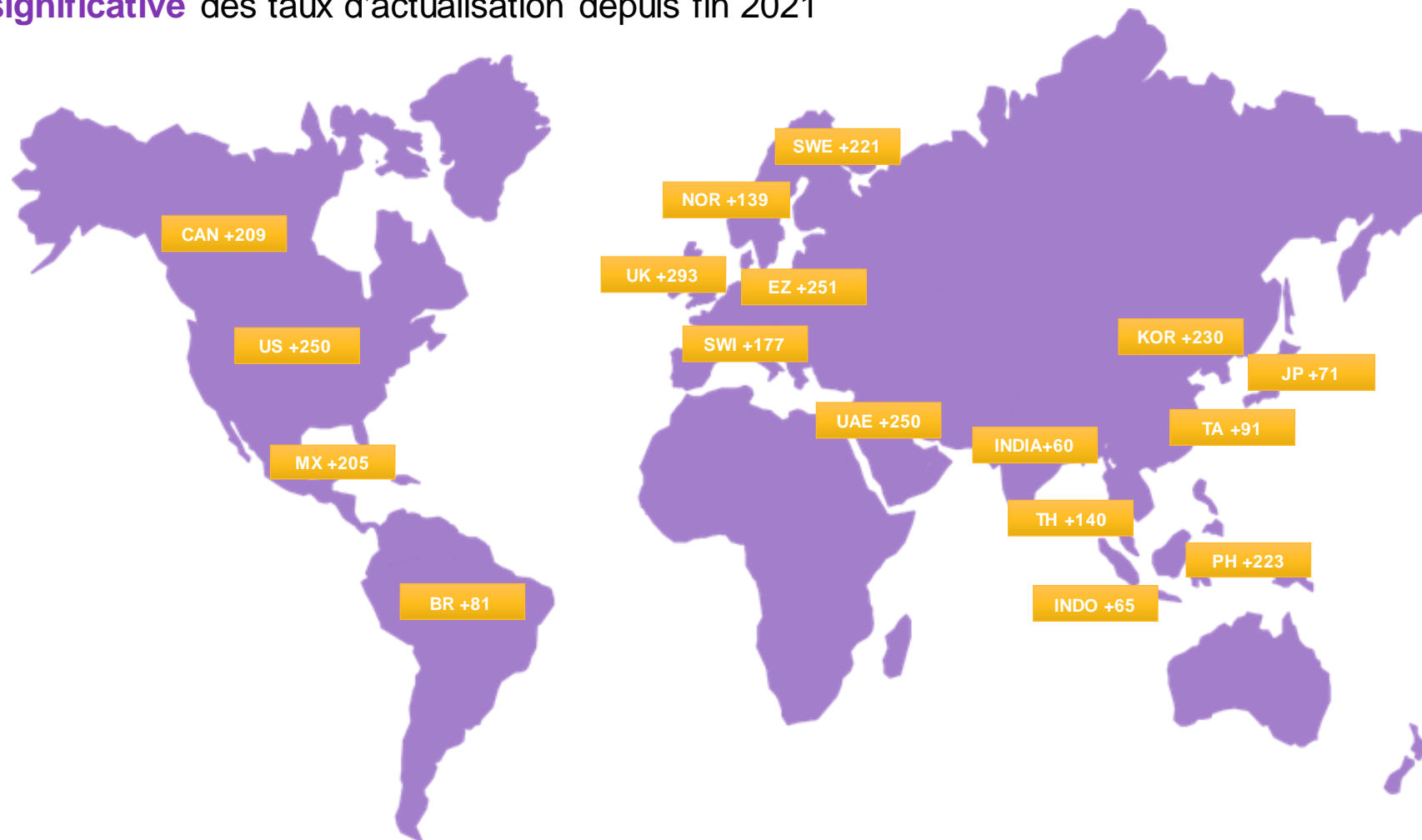
1. Conditions économiques et financières
2. Actualités pays
3. De-risking  
Focus Suisse

# Conditions économiques et financières

# Taux d'actualisation – Vue d'ensemble



**Hausse significative** des taux d'actualisation depuis fin 2021



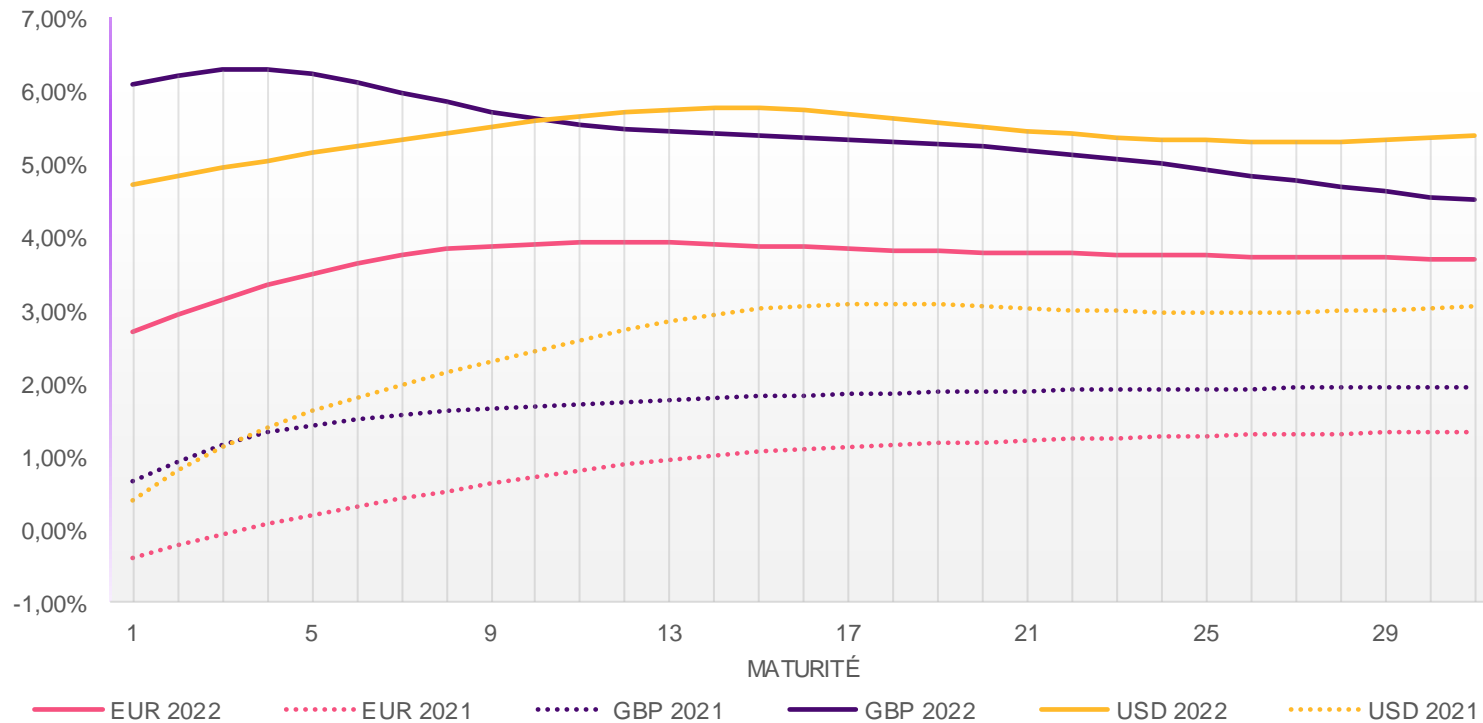
*Benchmark des taux d'actualisation: 30 septembre 2022 vs. décembre 2021 (bps approx.)*

# Taux d'actualisation – Évolution sur 2022

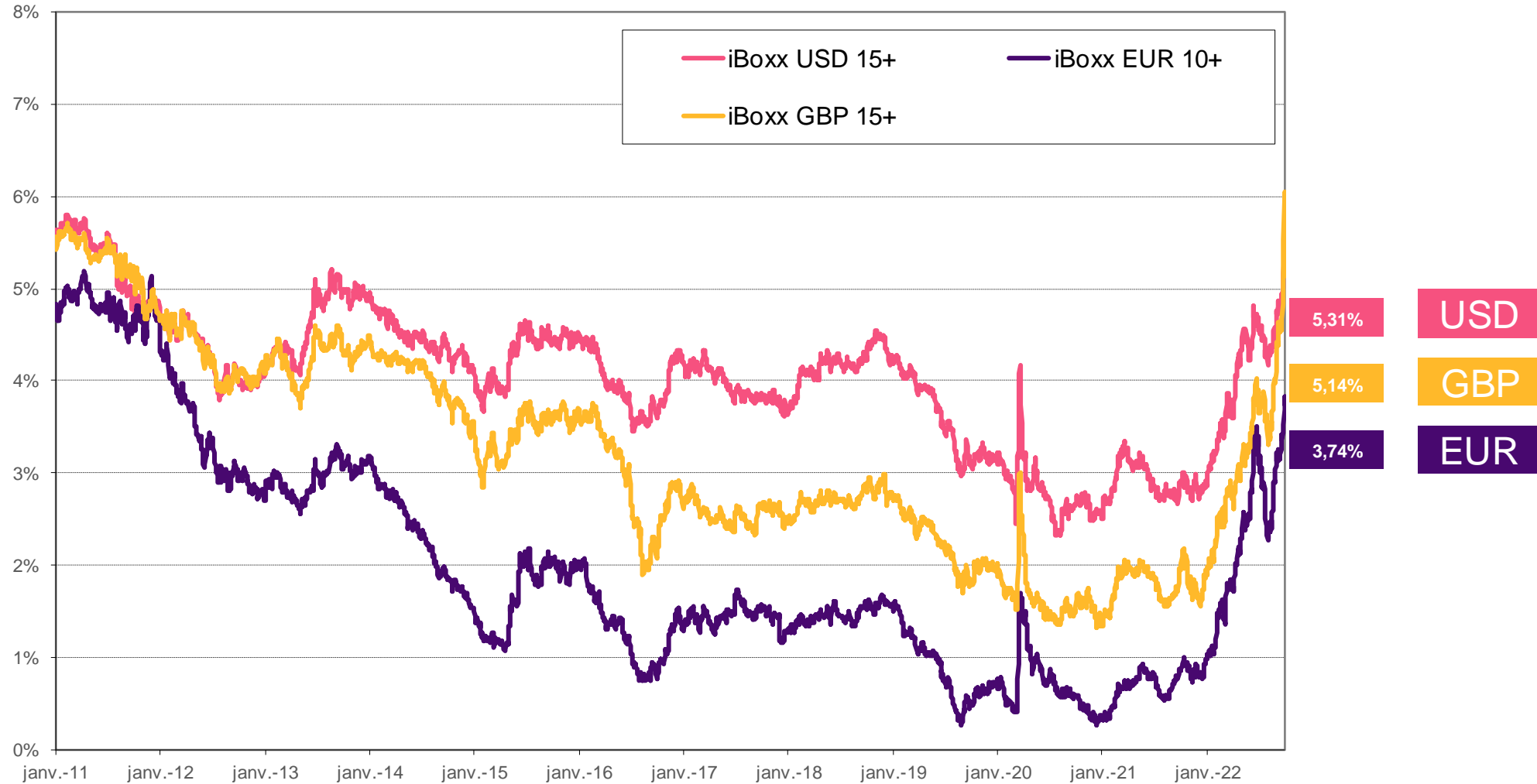


**Hausse significative** des taux sur l'année (septembre 2022 vs. décembre 2021) sur **l'ensemble des maturités** sur les zones EUR/ USD / GBP.

## Courbe des taux AA



# Des taux de plus en plus élevés



# Hypothèse d'inflation dans le monde



## Un consensus plutôt bien établi sur les principaux pays :

- Recommandation 2022 : aucune variation pour le Canada, Japon, Suisse et USA par rapport à fin 2021
- Mise à jour de l'intervalle pour la Zone Euro et pour le UK (avant toute prise en compte de prime de risque d'inflation).

Pays	Recommandations WTW à fin 2021	Recommandations WTW à fin 2022	Variation vs.2021
Canada	1,75% - 2,25%	1,75% - 2,25%	Inchangé
Eurozone	1,70% - 2,30%	2,00% - 2,60%	[+30bp, +30bp]
Japon	1,50%	1,50%	Inchangé
Suisse	0,50% - 1,50%	0,50% - 1,50%	Inchangé
UK	3,40% - 3,90%	3,80% - 4,20%	[+40bp, +30bp]
USA	2,5% - 3,50%	2,5% - 3,50%	Inchangé

## Une inflation toujours très volatile en Argentine, Brésil, Turquie, Venezuela :

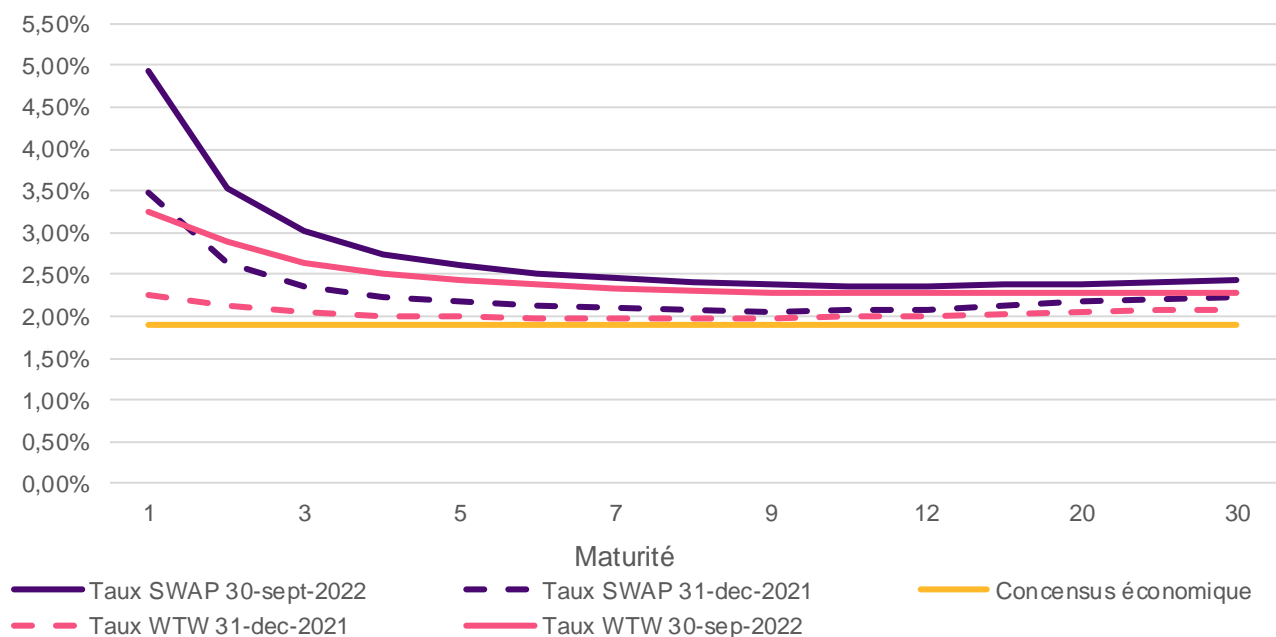
- Les hypothèses de taux d'actualisation, taux d'augmentation des salaires,... sont définies nettes d'inflation

# Hypothèse d'inflation dans la zone Euro



- Modèle WTW – **Légère hausse** sur l'année sur l'ensemble des durations.
- Consensus économique **stable** sur l'année.
- Taux SWAP – **Légère hausse** des taux SWAP sur l'année sur l'ensemble des maturités

Courbe des taux d'inflation par maturité



## Modèle d'inflation WTW

- Hypothèses plutôt stables
- Repose à la fois sur des composantes survey-based et market-based



# Performances financières en 2022



**Sous-performance** des actions, des obligations et de l'Immobilier sur l'ensemble des zones

<i>Situation à fin septembre</i>	Canada		Zone Euro		Japon	
Benchmark WTW	Allocation standard	Taux de rendement	Allocation standard	Taux de rendement	Allocation standard	Taux de rendement
Actions Marché International	20%	-19%	-	-13%	10%	-6%
Actions Marché Domestique	20%	-11%	40%	-22%	20%	-6%
Obligation Gouvernementale (marché international)	-	-14%	-	-9%	20%	-1%
Obligation Gouvernementale (marché Domestique – Taux fixe)	45%	-12%	60%	-17%	50%	-5%
Obligation Gouvernementale (marché Domestique – Taux indiciel)	-	-12%	-	-17%	-	-5%
Obligation Corporate internationale	-	-14%	-	-8%	-	-1%
Obligation Corporate domestique	15%	-21%	-	-15%	-	-5%
Immobilier	-	-27%	-	-36%	-	3%
Cash	-	0,7%	-	-0,5%	-	0,6%
<b>Total</b>	<b>100%</b>	<b>-14%</b>	<b>100%</b>	<b>-19%</b>	<b>100%</b>	<b>-4%</b>

# Performances financières en 2022

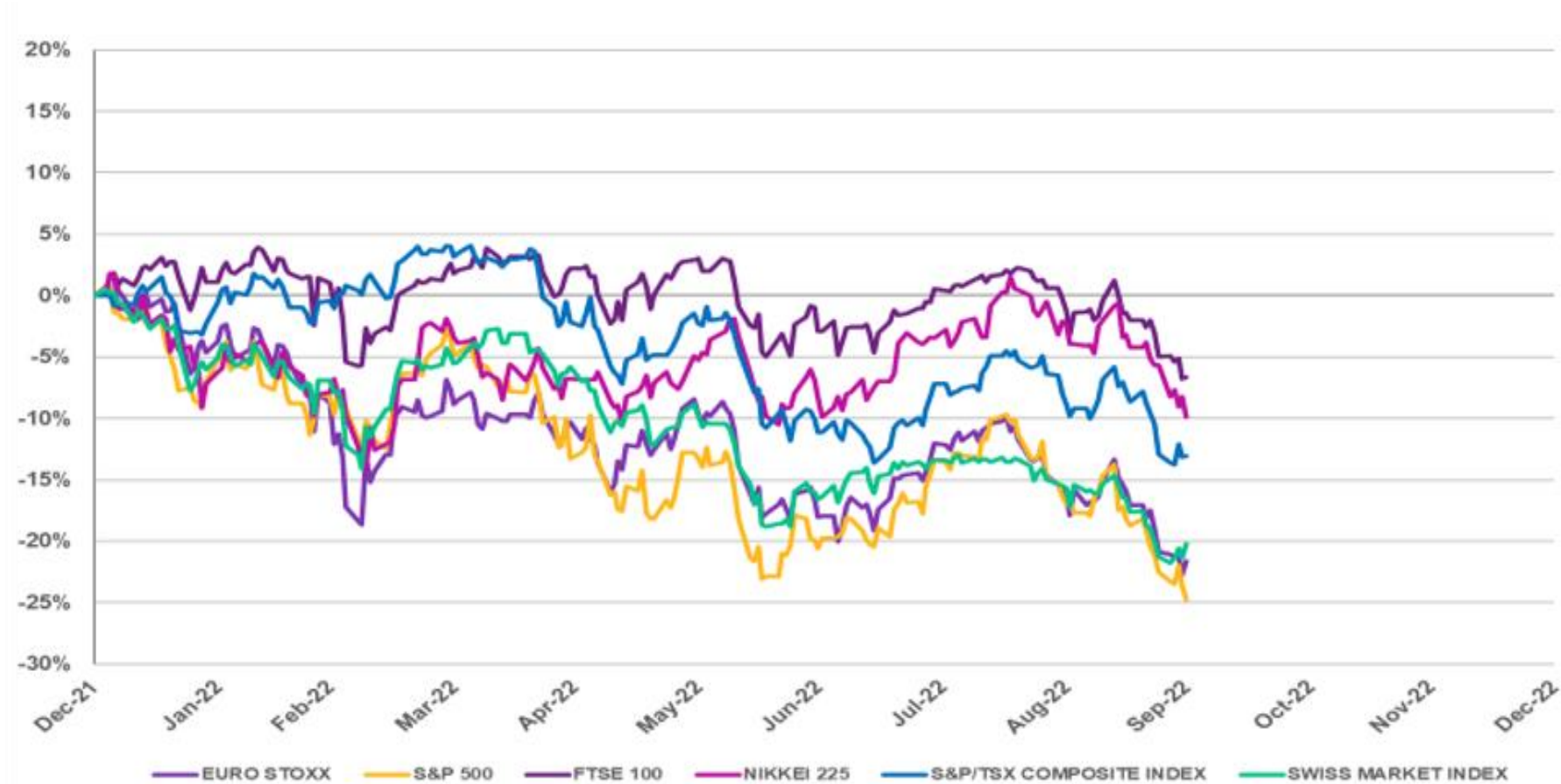


<i>Situation à fin septembre</i>	Royaume-Uni		Suisse		USA	
Benchmark WTW	Allocation standard	Taux de rendement	Allocation standard	Taux de rendement	Allocation par défaut	Taux de rendement
Actions Marché International	10%	-9%	20%	-19%	10%	-27%
Actions Marché Domestique	10%	-4%	10%	-19%	50%	-24%
Obligation Gouvernementale (marché international)	-	-3%	20%	-10%	-	-38%
Obligation Gouvernementale (marché Domestique – Taux fixe)	70%	-39%	10%	-12%	5%	-28%
Obligation Gouvernementale (marché Domestique – Taux indiciel)	-	-33%	-	-12%	-	-14%
Obligation Corporate internationale	-	-4%	-	-10%	-	-21%
Obligation Corporate domestique	10%	-37%	20%	-12%	35%	-29%
Immobilier	-	-35%	10%	-9%	-	-28%
Cash	-	0,3%	-	-0,5%	-	0,6%
Assurance / Autres	-	-	10%	-6%	-	-
<b>Total</b>	<b>100%</b>	<b>-32%</b>	<b>100%</b>	<b>-13%</b>	<b>100%</b>	<b>-26%</b>

# Focus marché des actions



**Forte volatilité** et **rendements négatifs** sur l'ensemble du marché des actions à fin septembre 2022



Source: Bloomberg Finance L.P.

# Impacts de la situation macro-économique



## Apparition / augmentation des surplus IAS19

- Baisse plus importante de la DBO que des assets
- Intégralité du surplus difficilement reconnaissable (Canada, Suisse)
- Impacts (OCI) potentiellement significatifs
- Points d'audit à anticiper

## Gain P&L sur les OLTB

- Reconnaissance immédiate des gains financiers
- De l'ordre de 20% à 30% de la DBO

## Variation importante des éléments de la charge N+1

- Baisse du Service Cost d'environ 20% à 30%
- Interest cost multiplié jusqu'à 2 ou 3
- Interest credit pour les plans en surplus

## Sorties en capital plus importantes aux US

- Valeur des capitaux moins favorables sur 2023
- Anticipation sur 2022 des sorties initialement prévues sur 2023
- Prestations payées sur 2022 potentiellement bien plus importantes que prévu

## Certaines opportunités de buy-out

- Situation nette améliorée
- Combinée à un marché un peu plus agressif / compétitif (US, Canada)

# Actualités pays

# Hypothèse de mortalité : actualités 2022



## Ireland

Mise à jour de la table **2020 Pension Mortality Study of Irish Self-Administered Pension Schemes**

## Italy

Nouvelle table publiée : **ISTAT 2020**

## Netherlands

Nouvelle Table publiée en septembre 2022 : **Prognosetafel AG 2022**

## Portugal

Nouvelle table publiée : **TV 88/90**

## Sweden

Nouvelle Table : **DUS2021**  
(mise à jour de la DUS2014)

## UK

Nouvelle Table prévue pour fin 2022 : **CMI 2021**

## Hong-Kong

Nouvelle Table publiée : **HKLT 2020**

## Brazil

Nouvelle table publiée : **RP2014**

## USA

Prochaine mise à jour de la table attendue pour octobre : **MP-2022**

## Americas



### Mexico

**MONITOR** – Minimum wage increase rate for the following 3 years. Future increases could be around 15% per annum for year end 2022-2023.

**MONITOR** – Social Security changes will start in 2023 (employer contributions will be higher from 2023 - 2030). Plans with a Social Security bridge would have an impact.



### Canada

**MONITOR** – The law on the 2022 federal budget includes provisions for federally regulated pension plans (eg solvency reserve accounts and disclosures on ESG considerations).

**ACT** – New defined benefit funding rules will have a major impact on the funding of Manitoba-registered defined benefit pension plans.

**MONITOR** – CICA 3462 changes are effective 2022 end and affect the ability of an entity using a certain funding approach for the post retirement plans to issue Canadian GAAP financial statement.



### Argentina

**MONITOR** – Argentina could be considered a hyperinflationary economy under IFRS. Companies should consider using real rates and a short-term inflation assumption.





## Ireland

**ACT** – In March 2022, the Irish government announced finalized design principles for Ireland’s proposed Auto Enrolment pension system as part of the Roadmap for Pensions Reform. The proposed Irish AE system is scheduled to go live from 1 January 2024.

**ACT** – The Pensions Authority in Ireland released a Code of Practice in November 2021 to instruct Trustees and Companies laying out a new compliance directive resulting in a significant number of additional requirements on Trustees and Companies.

**MONITOR** – As per the report on the State Pension Age issued in July this year, a gradual increase in the State Pension Age to 68 years was recommended. It has been reported that the Government has decided not to increase the State Pension Age beyond 66 years. Also, Government is expected to introduce legislation to ensure retirement age below 66 years are not put in employment contracts. Their aim is to encourage employers to allow employees to work beyond age 66 years if they choose to – this will not be mandatory.



## UK

**MONITOR** – Details of expected changes to the funding regime are expected to be announced before the end of 2022. Also with the 2021 Pensions Schemes Act there are harsher penalties for individuals and entities that expose accrued benefits to risk.



## Netherlands

**ACT** – Draft legislation to implement the Pension Deal of 2019 has been released. The intention remains for the legislation to become effective as of January 1, 2023, and for all pension plans to be adapted to comply with the new law within a four-year time frame.

**MONITOR** – The recent increase in expected inflation rate is likely to have a large impact on companies with indexed liabilities. Coverage ratios of pension funds have increased significantly this year. Currently, pension funds are allowed to grant pension increases if their coverage ratio is greater than 110%. With the implementation of the new Pension Deal between 2023-2027, pension funds are allowed to grant pension increases if their coverage ratio is above 105%.





## France



**MONITOR** – High increase expected in the technical rate used for estimation of pension purchase price from 0% at YE2021 to 0.75%/1.00% for YE2022 accounting valuations. Expected impact on DBO is likely a decrease of 15-20%.

**MONITOR** – Potential retirement reform may impact the minimum retirement age which may be issue in later in 2022 or 2023.

## Portugal



**ACT** – Minimum funding mortality table changed at end of 2021 from TV 73/77 to TV 88/90.

## Spain



**ACT** – Law 12/2022, published on July 1, 2022 and effective one day later, provides new employer tax breaks and increased employee contribution capacity for all tax-qualified pension plans, and sets out the regulatory framework for new sectoral tax-qualified Simplified Employment Pension Plans as well as for new Publicly Promoted Employment Pension Funds.

## Switzerland



**MONITOR** – The proposal for changes to the LL/BVG minimum legal requirements is still in discussion. The most important goals are to secure the pension level, strengthen financing and improve coverage for part-time employees, with the most significant change being a proposal to reduce the conversion rate on the mandatory minimum benefits and to potentially flatten the age-related contribution structure.

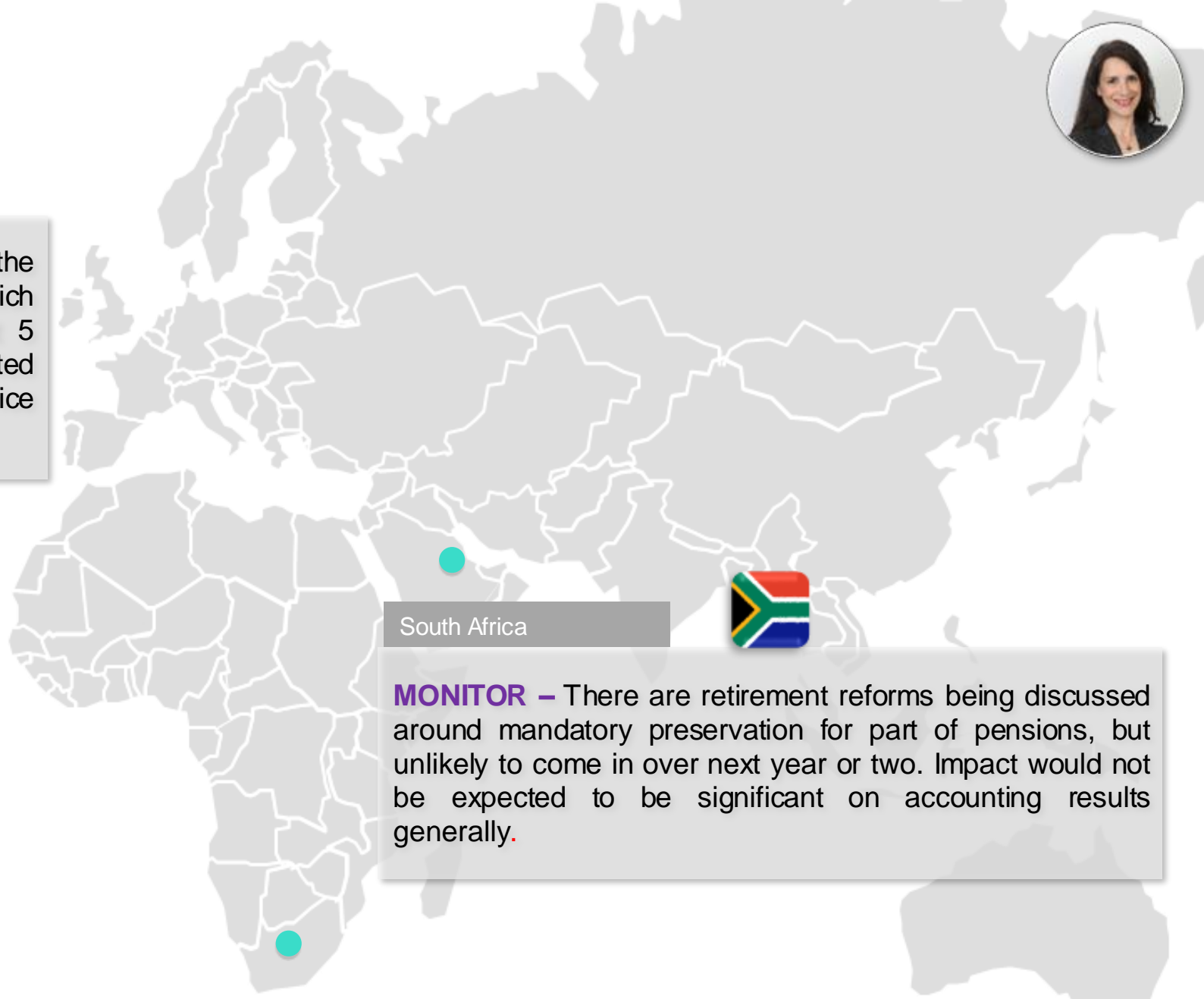
**MONITOR** - There is a vote at the end of September to increase the AHV (1<sup>st</sup> pillar) retirement age for women from 64 to 65. This would not have a direct impact on pension benefits but could lead to pension plans reconsidering the retirement age in their plans.



UAE



**ACT** – In February 2022, there was a change to the Federal law regarding End of service benefits which impacts benefits payable on leaving within first 5 years service. Increase in the DBO would be treated in most cases as a plan amendment / past service cost.



South Africa



**MONITOR** – There are retirement reforms being discussed around mandatory preservation for part of pensions, but unlikely to come in over next year or two. Impact would not be expected to be significant on accounting results generally.

## Asia Pacific



India



**ACT** - Code of Wages – 2019 and Code on Social Security – 2020 set some rules in terms of pension benefits and eligibility. When the codes become effective, those could lead to an increase in benefit provisions. There is no official notification date for the labor codes suggested by the government as of now.

**ACT** - New annuity purchase rates have been published by a Central Insurer based in India (LIC) effective 1 February 2022. These rates will have an impact on pension liabilities.

Indonesia



**ACT** - The Indonesian Accounting Standards Board have released a statement in which they have clarified their view that the IFRIC agenda decision on attribution applies to the mandatory end-of-service benefit for local GAAP reporting. Local GAAP is largely based on IAS19 and so it is expected that this guidance will also apply for IAS19.

Japan



**ACT** – Upcoming change in DC contribution limit to be effective from December 2024.

## Asia Pacific



South Korea

**ACT** – New investment option rules for DC retirement plans. Sponsors have until July 2023 to be compliant with this option requirement.

Hong-Kong



**MONITOR** – Take away employers' ability to offset their Mandatory Provident Fund contributions against severance or long-service payments.

Singapore



**ACT** - Effective 1 July 2022, the minimum retirement age will be increased from 62 to 63, following the Retirement and Re-employment Act of Singapore. This could impact only plans for which the companies opted to adopt the minimum retirement age as the normal retirement age. Note, the Singapore Government aims to gradually increase the minimum retirement age to 65 by 2030.

**ACT-** Effective 1 January 2022, employer and employee contribution rates to the Central Provident Fund for employees aged above 55 to 70 has been increased. This would impact supplementary retirement programs with CPF offset feature. Another increase is set to happen effective 1 January 2023.

Australia



**ACT** – Significant superannuation changes approved

# De-risking Focus Suisse

# Cartographie et opportunités De-risking



Cartographie de-risking		Germany	Suisse	UK
Basic	Type of plan	DB	DB	DB
	Open (to new members)	No	Yes	No
	Open for future accrual for existing members	No	Yes	Yes
	Benefit formula related to final salary	No	No	Yes
	Life-time annuity	Yes	No / Yes	Yes
	Automatic increase annuity linked to inflation	Yes	No	No / Yes
	Funded	No	Yes	Yes
Strategic	Funding deficit	No	No	Yes
	Funding strategy in place	No	Yes	Yes
	De-risking strategy in place	No	No	Yes



**Irlande**  
 • Discretionary pension increase modelling



**UK**  
 • Pension Indexation Exchange (PIE)  
 • LDI strategy



**US / Canada**  
 • Buy-out / Annuity purchase



**Belgique**  
 • Switch to Branche 23 or mix 21&23



**Allemagne**  
 • Pure DC plan



# 1/ Focus Suisse: introduction

## The Swiss Retirement market

- Mandatory and mostly a private affairs for each employer
- The only DB market open in the world (although CB plans)
- A market valuation of 1.1T
- Centralisation and governance
- Many decisions done through public votation, including pensions
- Pensioners are becoming a large part of the liability
- More legislation changes are expected
- Flexibility now exist on certain elements...
- IAS and USGAAP is a key element



**DB Calculations**



**Better  
Governance**



**CH is often a large  
DB footprint for  
companies**

### At a glance

- Pension Fund and companies are trying to manage their liability and their investment to manage risks
- Vast market of private, public and collective pension plans
- Plans must offer also risks protection like death and disability
- With the increase of discount rates, the opportunity to de-risk have decreased significantly.

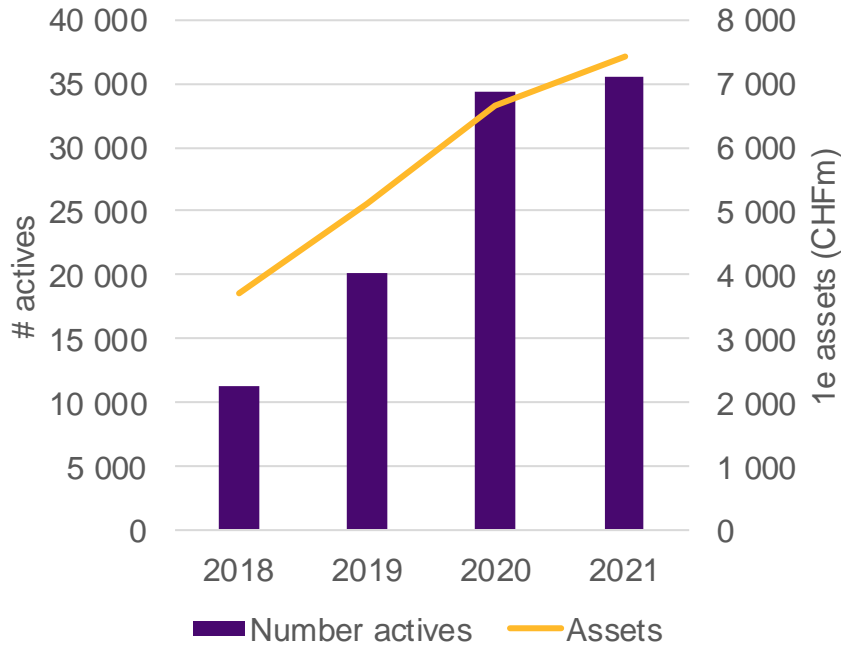


# 2 / Recent economics

## Hot topics



1e Plan Development



**Members covered in Swiss DC 1e Plans increased 3-fold** from the end of 2018 to the end of 2021, with assets increasing 2x (source: OAK)

Annual Asset Returns



**Asset returns (annual) are at their lowest levels now since the financial crisis of 2008/2009** (source: Pictet LPP 2005-40 Plus)

Swiss Corporate Bond Yields



**Discount rates (based on Swiss corporate bond yields) have soared over the past six months, more than we have seen in the past 15 years** (source: SIX Swiss Exchange)



# 3/ Swiss market trends

## General trends



**Restriction of pensions  
(1e / force lump sum)**



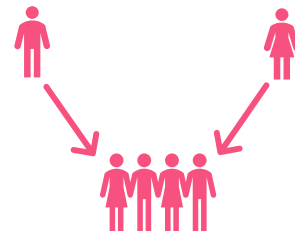
**Where can  
pensioners go?**



**Distribution of potentially  
free assets**



**Unpredictable  
markets**



**Consolidation to  
collective foundations**



**Technical interest rates and  
conversion rates lowering,  
but stabilization expected –  
what if interest increases?**

# 4/ In summary



## 1. CH specifics

- Data confidentiality

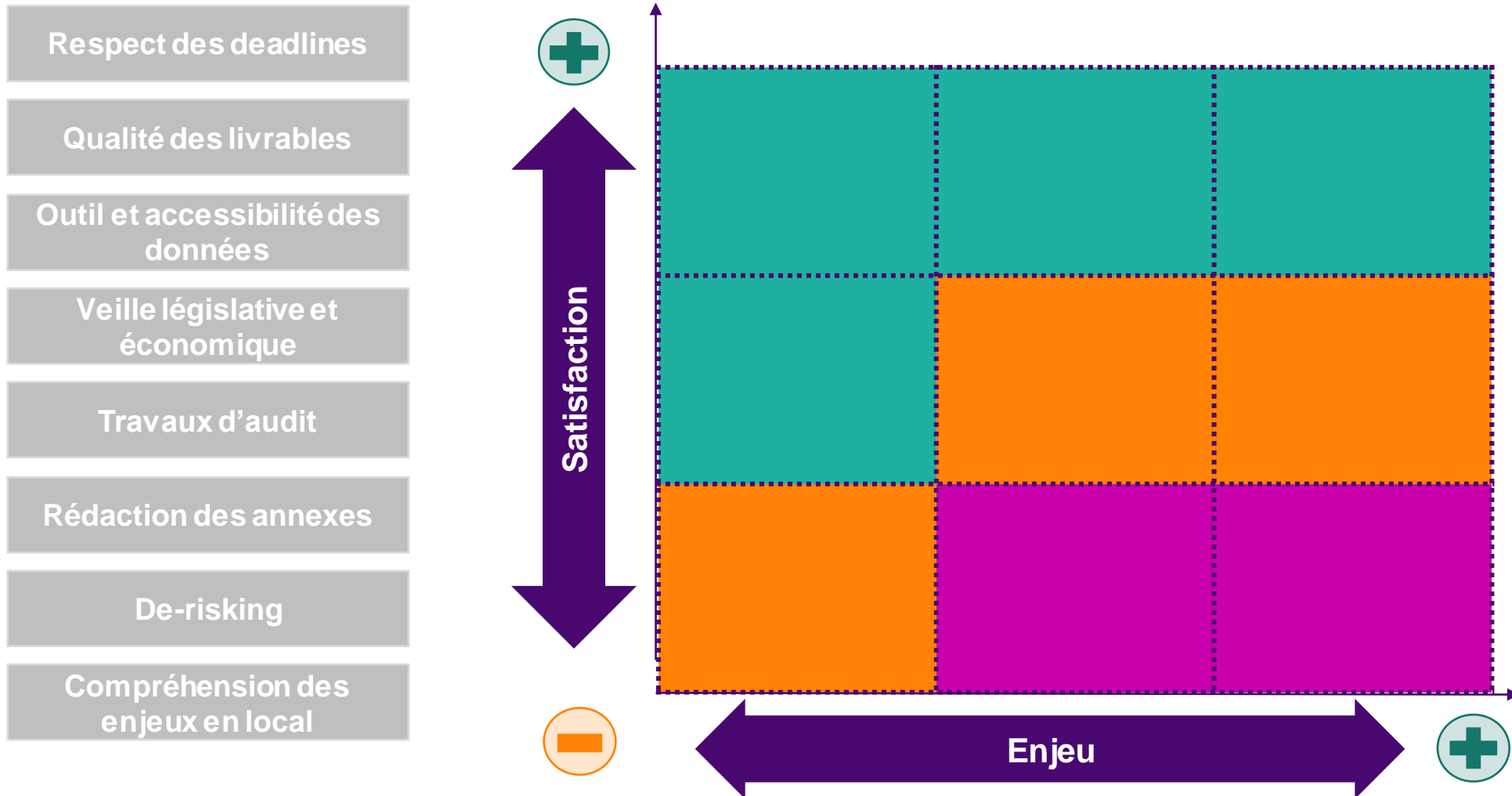
## 2. Open DB plans

- Elements to be improved

## 3. Innovation

- Discuss trends

# Auto-évaluation du processus IAS19



Merci de votre  
participation !