Towards adequate, sustainable and safe European pension systems

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The Committee on Employment and Social Affairs adopted the report by Ria OOMEN-RUIJTEN (EPP, NL) on 'Towards adequate, sustainable and safe European pension systems' in response to the Green Paper on the subject (COM(2010)0365).

It notes that current data show that the number of people entering the labour market is declining and the number of pensioners is rising (in 2008 there were four EU citizens of working age for every one aged 65 or over). Members welcome the holistic approach adopted by the Green Paper. They stress that pensions and pension systems are the responsibility of the Member States, and recognise that Member States' economies are interdependent. Accordingly, they call on the EU and Member States to **coordinate properly their different pension policies** and by using the Open Method of Coordination to guarantee the adequacy, safety and sustainability of pension systems. The report observes that the first-, second- and third-pillar pension schemes in Member States differ significantly from one another, that the EU lacks a set of common criteria, definitions and an in-depth analysis which would thoroughly explain the various pension systems and their capacity to meet the needs of citizens. Members stress that the **EU should primarily enhance the comparability of pension schemes and promote the exchange of good practices.** The Commission needs to come up with a typology of pension systems in Member States as well as with a common set of definitions in order to make systems comparable.

Members add that they considers that long-term investment and savings for the future sustainability of pension systems are of major importance and should be taken into account in the framework of **macroeconomic surveillance**.

They go on to regret that the **Green Paper does not devote enough attention to gender issues**. The present adequacy gaps in pensions between men and women are the result of persistent inequalities in the labour market, such as periods of unemployment, care duties, the pay gap between men and women, the overrepresentation of women in precarious and part-time jobs and barriers to reconciling work and private life. The Commission and Member States are asked to continue their efforts to eradicate these inequalities and ensure long-term equal treatment for women and men with respect to pensions, for example through the inclusion of maternity leave and care for elderly family members as actual work giving rise to an entitlement to retirement benefits for men and women.

The committee also makes the following observations:

Adequacy: the report states that it **does not consider it possible for the EU to set adequate pension levels**, because the amount required is very dependent on specific circumstances in the Member States. It calls however on the Commission to come up with guidance that makes it possible for Member States to establish **criteria for a minimum level of pensions**. Member States should define adequacy as the condition required for older people to live a **decent life**, with particular attention to the most vulnerable groups in society. Because of the financial crisis, several Member States are planning to introduce changes to their pension systems. The committee urges them, however, to ensure that all pension systems remain stable, reliable and sustainable, and that all changes are made after adequate social dialogue and on the basis of the provision of sufficient information.

Retirement age: in view of demographic trends, it is necessary for more people to participate in the labour market and to do so for longer. Members observe that life expectancy is growing and that better

occupational health is a precondition for longer working lives. They call an evaluation of a possible linkage between the statutory retirement age and life expectancy and differentiating the compulsory retirement ages to make it possible for people who want to carry on working to do so. Member States which have increased the statutory retirement age should encourage work by older people through fiscal and social security exemptions. The Commission is asked to set up a study analysing the way wealth distribution is influencing life expectancy in Member States.

Members note that there are **major disparities in the statutory retirement age and in the actual age at which older people cease to be employed**. They recommend that priority should be given to ensuring that employees can work until the statutory retirement age. These disparities are especially salient for employees in the most onerous occupational categories. Member States and social partners are asked to exchange information about good practices.

The report stresses the need for an active policy to prevent discrimination on grounds of age by monitoring the correct implementation of Directives 2000/78 and 2006/54 and promoting a European culture of active aging ensuring that older people have a life of vitality and dignity.

Mobility and transfers: labour-market mobility in the EU will be crucial in the coming years for job creation and economic growth. Issues such as lack of transferability, long vesting periods, preservation of dormant rights, non-regression and differences in tax treatment and actuarial principles must be addressed with a view to their consequences on pension systems. Members observe that there is a trend towards more defined-contribution schemes and fewer defined-benefit schemes. As a result, pension providers transfer the risk associated with investment to pension savers. Because of the diversity and complexity of the various capital-based occupational pension systems, Members state that conditions need to be laid down concerning the **portability of acquired pension entitlements** in the sense that portability begins when new contracts are concluded, an application for transfer being approved only if the actuarial sum transferred is to be placed in a fund whose purpose is payment of old-age pensions. They ask for an in-depth study on tax issues related to the capital-based occupational pension systems and life insurance capital systems. With regard to cross-border issues, the clear focus of EU activity should be on **developing minimum standards for the acquisition and preservation of pension rights** and on facilitating the establishment of national tracing systems for those rights.

Review of EU legislation: the report notes that in many Member States the importance of occupational pension systems has been recognised, and that the EU can add value by providing coordination between the various schemes. It calls on the Commission to encourage Member States to investigate how employees' **right to participate in the second pillar** can be facilitated through enhanced social dialogue and to make proposals for promoting such a pillar where it does not yet exist. Furthermore, obstacles remain for (third-pillar) individual pension insurance schemes being offered across borders, such as life insurance policies, obstacles remain. Members request suggestions from the Commission as to how these might be overcome, as well as a framework for regulating these activities.

Policy Coordination: the report states it would be helpful to establish a European pensions platform involving representatives of EU institutions, social partners and relevant stakeholders to exchange information about best practice and help to prepare policy initiatives, all in compliance with the subsidiarity principle.

EU 2020 Strategy: Members regret that the 2020 Strategy devotes no explicit attention to decent, sustainable and adequate pension systems, although the attainment of some of the objectives presented in the 2020 Strategy depends on them. They suggest, therefore, incorporating the objectives of the Green Paper in the 2020 Strategy.