Agenda for adequate, safe and sustainable pensions

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The Committee on Employment and Social Affairs adopted the own-initiative report by Ria OOMEN-RUIJTEN (EPP, NL) on an Agenda for Adequate, Safe and Sustainable Pensions in response to the Commission Communication on the subject.

The Committee on Economic and Monetary Affairs, exercising its prerogatives as an associated committee in accordance with Article 50 of the Rules of Procedure of the European Parliament, has also been consulted for an opinion on the report.

Whilst noting that the lowering of pension benefits in many Member States is a consequence of the escalation of the financial crisis, Members deplore the severe cuts in the Member States hardest hit by the crisis that have **pushed many pensioners into, or at-the-risk of poverty**. The report recommends a **multi-pillar pension approach**, consisting of combinations of:

- a universal, pay-as-you-go, public pension;
- a funded, occupational, supplementary pension, resulting from collective agreements at the national, sector or company level or resulting from national legislation, accessible to all workers concerned;
- an individual third-pillar pension based on private savings with equitable incentives geared to low income workers, self-employed people and to people with incomplete contributory years as regards their employment-related pension scheme;

Since first-pillar, public pension schemes remain the most important source of income for pensioners, Members regret that the White Paper **does not properly address the importance of universal, at least poverty-proof, first-pillar public schemes**. Member States are asked to work on:

- more inclusive labour market strategies to decrease the economic dependency ratio between inactive persons and people in employment;
- lifelong training schemes and improved working conditions which enable people to have longer careers until the statutory retirement age, and beyond if they so wish.

Raising employment rates and balancing time spent in work and retirement: noting that in the EU, the employment rate among people aged between of 55 and 64 stands at a mere 47.4 % and among women at only 40.2%, Members call for **closely linking pension benefits to years worked and premiums paid** (‘actuarial fairness’), while duly taking into account periods away from the labour market due to care for dependent persons. They recommend a **ban on mandatory retirement when reaching the statutory retirement age**, so as to enable people who can and wish to do so to choose to continue to work beyond the statutory retirement age, as extending the period of premiums paid while at the same time shortening the period of benefit eligibility can help workers reduce any pension gaps at a fast pace.

The report notes that the assumption behind early retirement schemes, whereby older workers are allowed to retire early so as to make jobs available for the young, has been proven empirically wrong as the Member States displaying the highest youth employment rates, on average, are also the ones displaying the highest employment rates for older workers.

Developing complementary private retirement savings: whilst welcoming the call in the White Paper for developing both funded, complementary occupational pensions accessible for all workers, Members

consider that the Commission should rather recommend **collective, solidarity-based supplementary occupational pension savings**, preferably resulting from collective agreements and established at the national, sectoral or company level, as they allow for solidarity within and between generations, whereas individual schemes do not.

The committee also stresses the **need for citizens to be properly informed about their accrued pension entitlements,** so that they are able to make well-informed decisions as regards future additional pension savings. Member States are urged to ensure **strict disclosure rules** regarding the operating costs and risk of, and the return on, investments of pension funds operating within their jurisdiction.

Pensions of mobile workers: noting the lack of mobility between the Member States with only 3 % of working-age EU citizens live in another Member State, Members call for the **establishment of efficient tracking services**, possibly web-based, that enable citizens to track their employment- and non-employment-related pension entitlements and thereby make timely and well-informed decisions on additional, individual (third-pillar) pension savings. They welcome the Commission's pilot project, which should be complemented by an impact assessment of the benefits of providing EU citizens with consolidated pension information in an accessible way. Pension tracking services should ideally **cover not only occupational pensions, but also third-pillar schemes and individualised information on first-pillar entitlements.**

Review of the IORP Directive: the aim of the review of the Directive 2003/41/EC (the IORP Directive) should be to providing enhanced protection to current and future pensioners. Members make a series of observations on the Commission's proposals regarding precautionary measures which must apply the principle of 'same risk, same rules' within each national system and respective pillar.

Protection of workers' occupational pensions in the event of insolvency: Members stress that entitlements under Article 8 of Directive 2008/94/EC, which requires Member States to ensure that the pension rights of employees are protected in the event of the employer's insolvency, should be consistently safeguarded. They want the Commission to carry out a comprehensive overview of national guarantee schemes.

Complementary third-pillar pension savings: the committee calls on the Commission to assess and **optimise incentives for private pension savings**, in particular for individuals who otherwise would not build up an adequate pension. It also recommends:

- the legal cost limits at national level for contract conclusion and management, change of provider or change of contract type be investigated and that proposals be made in this regard;
- EU-level voluntary codes of conduct – and possibly also product certification schemes – with regard to quality, information provision to consumers and consumer protection in the third pillar.

Removing tax and contract related cross-border obstacles to pension investments: the Commission and the Member States concerned are asked to reach agreement in the field of cross-border pensions, especially as regards how to avoid double taxation and double non-taxation.

Gender: Members recall the gender challenge regarding pensions, noting that around 22% of women over the age of 75 fall below the EU's poverty threshold. In this respect, first-pillar, public pension schemes should guarantee at least a decent standard of living for all. Members also stress that **gender equality in the labour market is crucial to ensure the sustainability of pension systems**, and that the equalisation of the pension age for men and women must be accompanied by effective policies to ensure equal pay for equal work, reconciliation of work and care for dependents.