Agenda for adequate, safe and sustainable pensions

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The European Parliament adopted by 502 votes to 138, with 49 abstentions a resolution on an Agenda for Adequate, Safe and Sustainable Pensions in response to the Commission Communication on the subject.

Whilst noting that the lowering of pension benefits in many Member States is a consequence of the escalation of the financial crisis, Parliament deplores the severe cuts in the Member States hardest hit by the crisis that have **pushed many pensioners into, or at-the-risk of poverty**. Emphasising the likelihood of a long-term, low-growth economic scenario, which would require most Member States to consolidate their budgets and reform their economies under austere conditions, Parliament agrees with the Commission that it is necessary to build up funded, complementary occupational pensions, apart from the priority of safeguarding universal, public pensions that at least guarantee a decent standard of living for all in old age.

Parliament 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. Parliament calls on Member States to consider introducing such schemes where they do not yet exist, and asks the Commission to ensure that any regulation in the field of pensions be conducive to this approach.

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.

Parliament 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, Parliament considers 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. Parliament stresses the importance of ensuring that any measures proposed at EU level must complement and not contradict national pension reform programmes, noting that pensions remain a Member State competence.

Parliament 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. 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 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.**

Members stress that any action to promote mobility must be balanced by the cost-effective provision of supplementary pension schemes and must take into account the nature of national pension schemes.

Review of the IORP Directive: Parliament urges the Commission not to jeopardise the investment potential and to respect the different characteristics of pension funds and other pension providers when introducing or changing EU regulation, especially when reviewing this Directive on the activities and supervision of institutions for occupational retirement provision. It goes on to 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: Parliament regrets that third-pillar systems are most often more cost-intensive, more risky and less transparent than first-pillar systems. It 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. It considers the growing number of elderly people, especially women, who live below the poverty line alarming.

In this respect, first-pillar, public pension schemes should guarantee at least a decent standard of living for all. Parliament welcomes the call made in the White Paper for Member States to consider the development of care credits as a means of ensuring that periods spent taking care of dependent persons are taken into account when calculating individual pension entitlements.

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.

It should be noted that the alternative motion for resolution presented by the EFD group was rejected in plenary.