Supplementary pensions in the Single Market. Green Paper

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The ESC welcomes the green paper and reiterates its concern that timely action be taken to ensure that adequate pension provisions will be available to those retiring in the next century. In regard to the retirement provision and EU capital markets, the ESC believes that, subject to appropriate prudential controls being in place including supervision over the investment managers, higher returns can be achieved without undue risk and that EU capital markets are likely to develop sufficiently to absorb any additional investment funds. The ESC fully supports the view that pension funds must be subject to appropriate prudential supervision. A key aspect of this would be to ensure that the supervision take particular responsibility for the control of risk. However the Commission poses a very important question when it asks whether there should be common rules for pension funds and insurance companies. The ESC would, however, emphasize that prudential rules must include an evaluation of liabilities using proper actuarial standards, and a close correlation between the return on assets and the extent of commitments. The ESC would also stress the need to involve members in the management of their pension fund and to ensure that the managers are obliged to provide members with information and access to advice. Concerning the free movement of workers, the ESC believes that employees temporarily seconded by their employer to work in another Member State with the company or an affiliate should be able to retain their membership of their home pension scheme, but it considers that it would not be reasonable to require an employer to retain in membership employees who resign to take up employment not connected with him in another Member State. The ESC supports the broad principle that pension funds as they accumulate represent a deferred benefit for scheme members and that taxation should similarly be deferred until the benefits are paid out to individual members. While fully respecting the principle of subsidiarity, the ESC believes it would enhance the mobility of workers if a common set of rules for the recognition of pension schemes domiciled in one Member State, in relation to all other Member States, could be developed for approval by the Council.