Supporting national strategies for safe and sustainable pensions through an integrated approach

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PURPOSE : to establish a set of common objectives for supporting national strategies on the pensions systems. CONTENT : this paper looks at the demographic changes throughout Europe which make the modernisation of the pensions system high on the political agenda of all Member States. A set of common objectives will, inter alia, help Member States focus on necessary reforms and make pension policy more transparent, thus allowing citizens to adapt to foreseeable changes. The paper proposes the following set of common objectives: On the adequacy of pensions: - ensure that all older people enjoy a decent standard of living. - provide access for all individuals to appropriate pension arrangements necessary to maintain their living standards. On financial stability of public and private pension schemes: - in the context of the Employment Strategy, achieve a high level of employment so that the ratio between the active and the retired remains as favourable as possible. - ensure that pensions systems, particularly early retirement and invalidity schemes, and their interaction with the tax-benefit systems, offer effective incentives for the participation of older workers; that workers are not encouraged to take up early retirement and are not penalised for staying in the labour market beyond the standard retirement age; and that pension systems facilitate the option of gradual retirement. - ensure that public spending on pensions is maintained at a level in terms of percent of GDP that is compatible with the Growth and Stability Pact. - strike a balance between the active and retired through adjustments to the levels of contributions and taxes. - ensure, through appropriate regulatory frameworks, that private funded management schemes will continue to provide the pensions to which members are entitled. On the modernisation of systems in response to changing societies: - ensure that labour market mobility does not result in undue loss of pension entitlements and that self-employment is not discouraged. - review systems and eliminate gender-based discrimination while dealing with sources of inequalities in entitlements (career breaks for family, actuarial factors) - make pension systems more transparent and predictable. The Commission will develop appropriate indicators which aim at providing comparable information on the major economic, financial and demographic trends, which need to address the triple challenge of adequacy, financial sustainability and adaptability to change.