Supplementary pensions in the Single Market. Green Paper

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In adopting the report by Mr Enrico FERRI (PPE, I) on supplementary pensions, the European Parliament called on the Commission to submit a proposal for a directive to enable pension funds to enjoy freedom of investment, lay down their spheres and limits of operations as regards investment in and outside the Community, the amounts contributed by employers and employees, and the operating procedures for pension funds to raise capital on Community markets. Operators should be allowed to exercise the freedom to provide management services in any Member State, and principles should be laid down governing prudential supervision in accordance with the European social market model of co-decision and co-determination. Parliament believed that supplementary pension provision was an important way of supporting statutory pension insurance and could serve to maintain or improve pensioners' income. It considered that national governments should assume responsibility for making payments due under 'first-pillar' social security schemes. It called for the introduction of a 'European passport' for pension funds, in so far as standard prudential supervision rules guaranteed the possibility of controls and the co-determination of persons entitled to pensions and insolvency insurance. Prudence was called for however, and this meant: - balance of assets and liabilities; - diversification of investment; - maintenance of sufficient liquidity; - restriction of investment in service providers, including associated companies and subsidiaries; - involvement of the contributors and sectoral interests; - clear separation of the employer's assets and the pension fund; - provision for commitments; - the implementation of stringent and effective control. Parliament considered that Community legislation to regulate pension funds should bring about harmonisation of national provisions relating to actuarial principles and accounting rules, and employee, employer, government and consumer participation in investment policies. There should also be harmonisation of final pension provision, to be subject to annual increases, linked to average earnings or inflation. Occupational pension schemes must not channel surplus profits back into firms, but use them or set them aside for improvements in the pension schemes. Parliament urged the Member States to press ahead with the harmonization of fiscal systems for supplementary pension provision by introducing a separate code of conduct governing a number of basic taxation principles in this area, such as the tax-deductibility of pension contributions and pension plans, exemption of pension funds from income and capital taxation on investments and taxation of final benefits. It called on the Commission to present a revised version of its proposal of 1987 on equal treatment of men and women in statutory and occupational social security schemes to lay the legal basis for individualisation of pension rights and set a flexible retirement age for men and women. It particularly drew attention to the fact that supplementary pension schemes should be designed to promote employment and equal treatment. Parliament stressed the importance of ensuring transfers of pension entitlements from one employer to another within the same country or between Member States. Such transfers ought to be possible under capitalisation schemes, on condition that provision was made for preserving entitlements acquired under other systems. It pointed out in particular that long vesting periods constituted a distinct barrier to freedom of movement which, despite higher costs for the undertakings concerned, could be overcome by a long-term reduction to a maximum of five years. Parliament called on the Commission to draw up a report on speculators and their client base, and the extent to which supplementary pension provision influenced the employment situation in Europe. It also called on the Commission to ensure that the future directive stressed the economic needs of Europe's elderly citizens.