Basic information

2003/2040(INI) INI - Own-initiative procedure	Procedure completed
Joint report by the Commission and the Council on adequate and sustainable pensions **Subject** 2.50.05 Insurance, pension funds 4.10.11 Retirement, pensions 5.10.01 Convergence of economic policies, public deficit, interest rates	

Key players

European Parliament

Committee responsible	Rapporteur	Appointed
EMPL Employment and Social Affairs	ANDERSSON Jan (PSE)	15/01/2003

Committee for opinion	Rapporteur for opinion	Appointed
ECON Economic and Monetary Affairs	The committee decided not to give an opinion.	
FEMM Women's Rights and Equal Opportunities	BOOGERD-QUAAK Johanna L.A. (ELDR)	24/04/2003

Council of the European Union

Council configuration	Meetings	Date
Economic and Financial Affairs ECOFIN	2493	2003-03-07
Employment, Social Policy, Health and Consumer Affairs	2535	2003-10-20

European Commission

Commission DG	Commissioner
Employment, Social Affairs and Inclusion	

Key events

Date	Event	Reference	Summary
17/12/2002	Non-legislative basic document published	COM(2002)0737	Summary
07/03/2003	Debate in Council		
13/03/2003	Committee referral announced in Parliament		

09/07/2003	Vote in committee		Summary
09/07/2003	Committee report tabled for plenary	A5-0259/2003	
23/09/2003	Debate in Parliament		
24/09/2003	Decision by Parliament	T5-0406/2003	Summary
24/09/2003	End of procedure in Parliament		
20/10/2003	Resolution/conclusions adopted by Council		

Technical information

Procedure reference	2003/2040(INI)
Procedure type	INI - Own-initiative procedure
Procedure subtype	Initiative
Legal basis	Rules of Procedure EP 55
Stage reached in procedure	Procedure completed
Committee dossier	EMPL/5/19324

Documentation gateway

European Parliament

Document type	Committee	Reference	Date	Summary
Committee report tabled for plenary, single reading		A5-0259/2003	09/07/2003	
Text adopted by Parliament, single reading		T5-0406/2003 OJ C 077 26.03.2004, p. 0089-0251 E	24/09/2003	Summary

Council of the EU

Document type	Reference	Date	Summary
Document attached to the procedure	07165/2003	07/03/2003	Summary

European Commission

Document type	Reference	Date	Summary
Non-legislative basic document	COM(2002)0737	17/12/2002	Summary

Joint report by the Commission and the Council on adequate and sustainable pensions

2003/2040(INI) - 17/12/2002 - Non-legislative basic document

PURPOSE : to present the draft joint report by the Commission and the Council on adequate and sustainable pensions. CONTENT : the Council and Commission have produced a joint report detailing the first comprehensive assessment of national pension systems and policies at EU level. To recall, the open method of coordination on pensions was launched at the Laeken European council in 2001 on the basis of 11 common objectives under three headings: safeguarding the capacity of systems to meet their social objectives, maintaining their financial sustainability and meeting changing social needs. The report analyses the National strategy Reports on Pensions submitted by each Member State, with a view to assessing the achievement of the eleven common objectives. These are presented in the Annexes. The report states that the momentum must be maintained, since ageing will start to produce its effects on pension systems within the next ten years in most Member States. The general conclusion may be summarised as follows: - Adequacy of pensions : preventing social exclusion - all Member States ensure compulsory membership in pension schemes, and provisions to ensure a minimum income to people who have not earned sufficient entitlements in their own right. In some countries higher poverty risks persist, particularly for older women. In future, pensioners are likely to acquire more pension entitlements during their working lives. - Enabling people to maintain living standards : pension systems comprising flatrate or earnings-related first pillar scheme, private occupational schemes (second pillar) and individual retirement provision (third pillar) offer good opportunities for most Europeans to maintain their living standards after retirement. Most come from first pillar schemes. However, the national strategy reports present a wide range of pension reforms aiming to contain future public pension expenditure growth, leaving more scope for private provision. The report emphasised the importance of postponing retirement. Whilst occupational and personal pension provision is developing in many Member States, voluntary private provision would not be expected to automatically fill the gap left by reduced public provision. An increasing number of countries therefore allow the social partners to establish sectorwide pension schemes based on mandatory collective agreements, enabling high rates of coverage. - Promoting solidarity : Member States build strong redistributive elements into first pillar pension schemes, notably in the form of minimum pension guarantees or credits for certain periods without pensionable income (e.g. unemployment, studying, parental leave etc.). This is not incompatible with stronger links between contributions and benefits, particularly if solidarity elements are financed from general budgets. Strong solidarity elements can also be present in occupational pension schemes based on collective agreements. The latest available income survey data suggest, for the EU as a whole, somewhat smaller income disparities among older people than among the population as a whole. - Financial sustainability of pension systems : Raising employment levels - projections of public pension expenditure indicate that higher employment rates alone will not solve the problem of the financial sustainability of pension systems. - Extending working lives : currently, most Europeans retire before reaching the statutory retirement age. A one-year increase in the effective retirement age would absorb about 20% of theaverage expected increase in pension expenditure in 2050. Member States are reforming early pension systems and labour market policies and promoting active ageing. However, in many cases, the pace of reforms falls short of what is required to achieve the Stockholm and Barcelona targets for the employment rate of older workers (50% by 2010 compared to 38.5% today) and to increase the effective retirement age by about five years by 2010. - Making pension systems sustainable in a context of sound public finances - Large expenditure increases on public pensions are projected for most Member States. Some countries are still hampered by high debt ratios and the need for budgetary consolidation. - Adjusting benefits and contributions in a balanced way : to prevent adverse effects on employment, an increase in the total tax burden should be avoided, in particular on labour. Member States must achieve a sustainable balance between taxes on labour, on the one hand, and other forms of taxation, including on capital, on the other. No Member State envisages increased pension expenditure to be financed solely by raising contribution rates. Several Member States set an upper limit for contribution rates. In the case of the new notional defined-contribution pension schemes, benefits are automatically adjusted to maintain the financial balance of the schemes, notably in the face of rising life expectancy. In view of the financial impact of the retirement of the baby-boom generation, several Member States have established reserve funds in public pension schemes which should allow them to avoid major increases in contributions. Some expect to be able to afford larger transfers from the general budget to their public pension schemes thanks to debt reduction over the coming years and hence reduced future interest payments - or thanks to increased tax revenue from future pension benefits that are subject to deferred taxation. Several Member States have taken measures to reduce gradually replacement rates under public pension schemes, while at the same time creating better opportunities for supplementary private provision. - Ensuring that funded pension provision is adequate and financially sound : the risks of funded pension provision can be greatly reduced through effective supervision and prudent management of the assets. Significant progress is being made towards sound regulatory frameworks for funded pension provision across the EU. Progress is also being made in reducing management costs of private schemes. - Modernisation of pension systems : adapting to more flexible employment and career patterns - In spite of improvements achieved in many Member States, the situation cannot yet be regarded as satisfactory. Atypical workers are less well covered by occupational schemes and workers who change jobs tend to end their careers with reduced occupational pension rights compared to workers who remain with the same employer Greater equality between men and women - significant differences between women and men's pension entitlements will persist for a long time to come. Further gender assessment is needed to understand the impact of recent reforms and notably the development of supplementarypension schemes on the relative situations of men and women. Demonstrating the ability of pension systems to meet the challenges - most Member States have undertaken efforts to improve the transparency of their pension Systems. The report emphasises the importance of this. - Further co-operation at EU level - This includes work on common indicators which would allow to measure the extent to which the common objectives are being achieved, and Improving the quality of income data and their timeliness. This co-operation on pensions will have to be extended to new Member States. The report suggests that applicant countries could be invited to prepare their own national strategy reports based on the 11 common objectives.

Joint report by the Commission and the Council on adequate and sustainable pensions

2003/2040(INI) - 24/09/2003 - Text adopted by Parliament, single reading

The European Parliament adopted a resolution on adequate and sustainable pensions, based on the own-initiative report by Jan ANDERSSON (PES, Sweden.) (Please refer to the document dated 09/07/03.) The resolution was adopted by 453 votes in favour 61 against and 27 abstentions. Parliament stated that Member States need to give a clear indication to their citizens of what they may expect from their pension systems, and what they must do to achieve an appropriate standard of living later in life. The funding of public pension systems ought to take priority in the budgets of the Member States and applicant countries. Parliament also emphasised the importance of integrating public pension systems with appropriate public health care systems specifically geared to the needs of those elderly people who cannot look after themselves. With regard to increasing the retirement age,

Parliament felt that pension level incentives and stronger links between pension earnings and benefits cannot stand alone. It regretted that the Commission has not sufficiently highlighted the clear causal relation between the attainment of that objective and the active promotion of possibilities for lifelong learning, quality of work and a safe and healthy working environment.

Joint report by the Commission and the Council on adequate and sustainable pensions

2003/2040(INI) - 07/03/2003 - Document attached to the procedure

The Council endorsed the joint Council-Commission report on adequate and sustainable pensions and decided to forward it to the European Spring Council. It is recalled that the "Employment Social Policy Council" (EPSCO) also endorsed this report on 6 March. The report shows that Member States are moving towards financially sustainable pension systems that will be able to provide adequate pensions in the future. All of them have started reform processes and a large number of countries sees the need for further reforms in order to safeguard the long-term sustainability of their pension systems as well as sound public finances. The report stresses the need for Member States to improve incentives for older workers to remain longer on the labour market and to strengthen the financial basis of pension systems through increased public and private funding. In view of the fact that ageing will start to produce its effects on pension systems within the next ten years it calls upon Member States to put in place credible and effective strategies and to give clear signals to citizens about what they can expect and what they have to do to achieve an adequate living standard in retirement. It is recalled that several European Council, from Lisbon to Barcelona, have highlighted the challenge of an ageing population and its implications for the maintenance of adequate and sustainable pensions. This challenge was underlined in the conclusions of the Stockholm European Council in March 2001, which laid the ground for the open method of co-ordination on pensions. This process was finally launched by the Laeken European Council in December 2001 on the basis of eleven common objectives under the three headings: safeguarding the capacity of systems to meet their social objectives, maintaining their financial sustainability and meeting changing societal needs.