Basic information

2010/2239(INI) INI - Own-initiative procedure	Procedure completed
Towards adequate, sustainable and safe European pension systems **Subject** 2.50.05 Insurance, pension funds 4.10.11 Retirement, pensions	

Key players

European Parliament

Committee responsible	Rapporteur	Appointed
EMPL Employment and Social Affairs	OOMEN-RUIJTEN Ria (PPE)	09/09/2010

Committee for opinion	Rapporteur for opinion	Appointed
ECON Economic and Monetary Affairs (Associated committee)	CUTAȘ George Sabin (S&D)	18/05/2010
ITRE Industry, Research and Energy	The committee decided not to give an opinion.	
IMCO Internal Market and Consumer Protection	DE JONG Dennis (GUE/NGL)	07/10/2010
FEMM Women's Rights and Gender Equality	MATERA Barbara (PPE)	02/09/2010

Council of the European Union

Council configuration	Meetings	Date
Employment, Social Policy, Health and Consumer Affairs	3039	2010-10-21
Employment, Social Policy, Health and Consumer Affairs	3053	2010-12-06

European Commission

Commission DG	Commissioner
Employment, Social Affairs and Inclusion	ANDOR László

Key events

Date	Event	Reference	Summary

07/07/2010	Non-legislative basic document published	COM(2010)0365	Summary
21/10/2010	Debate in Council		
21/10/2010	Committee referral announced in Parliament		
21/10/2010	Referral to associated committees announced in Parliament		
06/12/2010	Debate in Council		Summary
01/02/2011	Vote in committee		Summary
04/02/2011	Committee report tabled for plenary	A7-0025/2011	
15/02/2011	Debate in Parliament		
16/02/2011	Decision by Parliament	T7-0058/2011	Summary
16/02/2011	Results of vote in Parliament		
16/02/2011	End of procedure in Parliament		

Technical information

Procedure reference	2010/2239(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/7/04202

Documentation gateway

European Parliament

Document type	Committee	Reference	Date	Summary
Committee draft report		PE452.558	29/10/2010	
Committee opinion	FEMM	PE448.857	15/12/2010	
Amendments tabled in committee		PE454.538	10/01/2011	
Committee opinion	ECON	PE452.673	26/01/2011	
Committee opinion	IMCO	PE452.814	26/01/2011	
Committee report tabled for plenary, single reading		A7-0025/2011	04/02/2011	
Text adopted by Parliament, single reading		T7-0058/2011	16/02/2011	Summary

European Commission

Document type	Reference	Date	Summary
	COM(2010)0365		

Non-legislative basic document		07/07/2010	Summary

National parliaments

Document type	Parliament /Chamber	Reference	Date	Summary
Contribution	DE_BUNDESRAT	COM(2010)0365	18/10/2010	
Contribution	CZ_SENATE	COM(2010)0365	05/11/2010	
Contribution	DK_PARLIAMENT	COM(2010)0365	05/11/2010	
Contribution	IT_CHAMBER	COM(2010)0365	12/11/2010	
Contribution	PT_PARLIAMENT	COM(2010)0365	15/11/2010	
Contribution	SE_PARLIAMENT	COM(2010)0365	02/03/2011	

Towards adequate, sustainable and safe European pension systems

2010/2239(INI) - 07/07/2010 - Non-legislative basic document

PURPOSE: to open a debate on whether and how the EU level pensions framework should be developed to best support Member States in their difficult task of ensuring they provide their citizens with adequate, sustainable and safe pensions – both now and in the future (Green Paper).

BACKGROUND: an adequate and sustainable retirement income for EU citizens now and in the future is a priority for the European Union. Achieving these objectives in an ageing Europe is a major challenge. Most Member States have sought to prepare for this through pension reforms.

Reforms have underpinned recent increases in effective retirement ages and opened new avenues to delivering adequate pensions in a sustainable manner.

Over the last 50 years, life expectancy has risen by about five years in the EU. The latest demographic projections reveal that a further rise of about seven years could materialise by 2060. Combined with low fertility rates this will lead to a dramatic change in the age composition of the population. As a result, **the old-age dependency ratio will double**: **where at present there are four people of working age for every person over 65, by 2060 there will be just two people of working-age for every person over 65**.

Demographic ageing has been faster than previously expected and the recent financial and economic crisis had a dramatic impact on budgets, capital markets and companies. There have also been deep structural changes such as new intergenerational balances, shifts from Pay-As-You-Go (PAYG) to funded pensions and the shift of more risks to individuals. This Green Paper launches a European debate through extensive and early consultation on the key challenges facing pension systems and how the EU can support Member State efforts to deliver adequate and sustainable pensions.

There are also other longstanding trends in **labour markets**: starting full-time working lives later because of the increased need for education and retiring earlier due to labour market age management and prevailing policies.

At EU level, national retirement systems are underpinned by a framework of activities spanning from policy coordination to regulation. Some common themes need to be addressed in a coordinated way such as the functioning of the internal market, the requirements of the Stability and Growth Pact, or ensuring that pension reforms are consistent with the Europe 2020 strategy.

Following a decade of reforms that have altered pension systems in most Member States, there is now a need to thoroughly **review the EU framework**.

CONTENT: this Green Paper seeks the views of all stakeholders in the EU on whether, and how, the EU level pension framework should be adjusted to best support Member States in ensuring they achieve their agreed goal of adequate and sustainable pensions for EU citizens. It takes an **integrated approach across economic, social and financial market policies** and recognises the links and synergies between pensions and the overall Europe 2020 strategy for smart, sustainable and inclusive growth.

Its 75% employment target requires employment rates significantly higher than the present levels in the age group 55 to 65. Addressing gaps in pension adequacy, which can be a significant cause of poverty among the elderly, can also contribute to achieving the Europe 2020 poverty reduction target.

Member States are responsible for pension provision: this Green Paper does *not* question Member States' prerogatives in pensions or the role of social partners and it does *not* suggest that there is one 'ideal' one-size-fits-all pension system design. It does however lay down a number of p**riorities to modernise pension policy in the EU:**

(1) Overarching objectives: adequacy and sustainability of pension systems: ensuring adequate retirement income is the purpose of pension systems and is a matter of fundamental inter- and intra-generational solidarity. Most reforms of pension systems so far have been aimed at improving sustainability. Further modernisation of pension systems will be needed to address adequacy gaps. Additional steps are urgently needed to put systems on a more sustainable footing, thereby contributing to the long term sustainability of public finances, notably in countries where future public pension spending is projected to be high.

The Green Paper asks how the EU can support Member States' efforts to strengthen the adequacy of pension systems. Should it seek to define better what an adequate retirement income might entail. It also asks if the existing pension framework at the EU level sufficient to ensure sustainable public finances.

(2) Achieving a sustainable balance between time spent in work and in retirement: time spent in retirement has increased considerably over the past century and there are large variations between Member States. Less than 50% of people are still in employment by the age of 60. This goes against Member State commitments at the Barcelona European Council to postpone the age at which people stop working by five years. Ensuring that the time spent in retirement does not continue to increase compared to time spent working would support adequacy and sustainability. This means increasing **the age at which one stops working and draws a pension**. Many Member States have already decided to raise the eligibility age for a full pension in their public pension schemes. A number of Member States have demonstrated that a promising policy option for strengthening the sustainability of pension systems is an **automatic adjustment** that increases the pensionable age in line with future gains in life expectancy.

As labour market exit ages are still low, the question is whether common EU principles and pathways to adequate and sustainable pensions, applied in a differentiated manner, to cater for differences in pension systems, would be helpful. Key measures enabling older workers, both women and men, to remain longer in the labour market would include access for all, irrespective of age, gender and ethnicity, to labour markets, to training and disability adjustments.

The Green Paper asks the question how can higher effective retirement ages best be achieved and how could increases in pensionable ages contribute. Should automatic adjustment mechanisms related to demographic changes be introduced in pension systems in order to balance the time spent in work and in retirement? What role could the EU level play in this regard? Lastly, how can the implementation of the Europe 2020 strategy be used to promote longer employment, its benefits to business and to address age discrimination in the labour market?

(3) Removing obstacles to mobility in the EU: greater flexibility in job mobility supports the adjustment capacity of the economy and strengthens the European social model.

With a view to **strengthening the internal market for pensions**, it may be necessary to review the IORP Directive, further supervisory convergence and more transparency about national differences. Moreover, aspects concerning custodianship and pension fund governance need to be addressed, including an adequate understanding and supervision of investment decisions, remuneration, incentive structures for service providers and socially responsible investment (SRI). Appropriate and comparable accounting standards are important to enhancing transparency about pension liabilities.

Although the Internal Market for insurance products has been in place for a longer time, cross-border activity for life assurance products has also remained limited, representing well below 10% of total life assurance premiums written in most Member States. The Internal Market could also be helpful in extending access to additional sources of retirement income beyond pensions, such as reverse mortgages.

Lastly, the question is asked whether the EU should look again at the issue of transfers or would minimum standards on acquisition and preservation plus a tracking service for all types of pension rights be a better solution.

(4) Safer, more transparent pensions with better awareness and information: safety in pensions is important to support adequacy. Moreover, the macroeconomic benefits can be felt quickly as pensioners are a growing source of stable and regular consumption. The disparate developments in Member States' pension systems and the trend towards defined contribution schemes, however, raise new policy questions on the following issues:

- reviewing current EU legislation to ensure a consistent regulation and supervision of funded (i.e. backed by a fund of assets) pension schemes and products (would European regulation or a code of good practice help Member States achieve a better balance for pension savers and pension providers between risks, security and affordability?);
- improving the solvency regime for pension funds;
- addressing the risk of employer insolvency
- facilitating informed decisions by modernising the current minimum information disclosure requirements for pension products (e.g. in terms of comparability, standardisation and clarity).

Enhancing governance: the Green Paper stresses that pension policy is a common concern for public authorities, social partners, industry and civil society at national and at EU level. A **common platform** for monitoring all aspects of pension policy and regulation in an integrated manner and bringing together all stakeholders could contribute to achieving and maintaining adequate, sustainable and safe pensions. The Commission is therefore keen to explore how this can best be achieved in support of the EU's wider economic and social objectives.

The consultation period will run for four months (ending 15 November 2010) during which anyone with an interest in the subject can submit their views.

Towards adequate, sustainable and safe European pension systems

2010/2239(INI) - 06/12/2010

The Council held a policy debate on the future of pensions systems and adopted conclusions on adequate and sustainable pensions (*see Council Doc. 16513/10*).

The Council held an extensive debate on the future of pensions systems, in the light of the joint report of the Social Protection Committee and the Economic Policy Committee, after which it adopted conclusions about adequate, safe and sustainable pensions for all European citizens.

Concluding the discussions, the presidency noted a general consensus on:

- the need to respect the principle of subsidiarity, taking into account the diversity of national systems,
- the fact that beyond this diversity, Member States share common values and common objectives in this area,
- the need for a holistic approach taking into account the principles of adequacy and sustainability of pensions,
- the role of the open method of coordination on social protection and inclusion and the importance of appropriate indicators,
- the willingness of Member States, despite budgetary constraints related to the financial and economic crisis, to ensure a decent income for pensioners.

By adopting the conclusions on adequate and sustainable pensions, ministers invited Member States to inform future pensioners about their future public and private pension entitlements and to ease access to pension entitlements for individuals in atypical employment.

The Commission and the Member States were called upon to consider the consequences of the budgetary measures and the ongoing pension reforms, and to take into account their impact in terms of adequacy, safety and sustainability.

The Commission and the EU countries should also collaborate on the development of methodologies allowing member states to assess the implications of pension policies on sustainability and adequacy.

Towards adequate, sustainable and safe European pension systems

2010/2239(INI) - 16/02/2011 - Text adopted by Parliament, single reading

The European Parliament adopted by 535 votes to 85 with 57 abstentions a resolution on 'Towards adequate, sustainable and safe European pension systems' in response to the Green Paper on the subject (COM(2010)0365).

It notes that current data show that the number of people entering the labour market is declining and the number of pensioners is rising (in 2008 there were four EU citizens of working age for every one aged 65 or over: by 2020 this figure will be five to one, and by 2060 two to one). Members welcome the holistic approach adopted by the Green Paper, which intends to impart fresh impetus at national and EU level with the objective of establishing robust, long-term adequate, sustainable and safe pension systems. They point out that traditions, economic and demographic situations and specific labour market features differ from Member State to Member State and that the principles of subsidiarity and solidarity, under which Member States retain full responsibility for the organisational set-up of their pension systems, have to be respected. However, they recognise that Member States' economies are interdependent.

Accordingly, they call on the EU and Member States to **coordinate properly their different pension policies** and by using the Open Method of Coordination to guarantee the adequacy, safety and sustainability of pension systems. Parliament observes that the first-, second- and third-pillar pension schemes in Member States differ significantly from one another, that the EU lacks a set of common criteria, definitions and an in-depth analysis which would thoroughly explain the various pension systems and their capacity to meet the needs of citizens. Members stress that the **EU should primarily enhance the comparability of pension schemes and promote the exchange of good practices.** The Commission needs to come up with a typology of pension systems in Member States as well as with a common set of definitions in order to make systems comparable.

Members add that they considers that long-term investment and savings for the future sustainability of pension systems are of major importance and should be taken into account in the framework of **macroeconomic surveillance**.

They go on to regret that the **Green Paper does not devote enough attention to gender issues**. The present adequacy gaps in pensions between men and women are the result of persistent inequalities in the labour market, such as periods of unemployment, care duties, the pay gap between men and women, the overrepresentation of women in precarious and part-time jobs and barriers to reconciling work and private life. The Commission and Member States are asked to continue their efforts to eradicate these inequalities and ensure long-term equal treatment for women and men with respect to pensions, for example through the inclusion of maternity leave and care for elderly family members as actual work giving rise to an entitlement to retirement benefits for men and women.

Parliament also makes the following observations:

Adequacy: the resolution states that it **does not consider it possible for the EU to set adequate pension levels**, because the amount required is very dependent on specific circumstances in the Member States. It calls however on the Commission to come up with guidance that makes it possible for Member States to establish **criteria for a minimum level of pensions**. Member States should define adequacy as the condition required for older people to live a **decent life.** Because of the financial crisis, several Member States are planning to introduce changes to their pension systems. Parliament urges them, however, to ensure that all pension systems remain stable, reliable and sustainable, and that all changes are made after adequate social dialogue and on the basis of the provision of sufficient information.

Retirement age: in view of demographic trends, it is necessary for more people to participate in the labour market and to do so for longer. Members observe that life expectancy is growing and that better occupational health is a precondition for longer working lives. Member States which have increased the statutory retirement age should encourage work by older people through fiscal and social security exemptions. The Commission is asked to set up a study analysing the way wealth distribution is influencing life expectancy in Member States.

Members note that there are **major disparities in the statutory retirement age and in the actual age at which older people cease to be employed**. They recommend that priority should be given to ensuring that employees can work until the statutory retirement age. These disparities are especially salient for employees in the most onerous occupational categories. Member States and social partners are asked to exchange information about good practices.

Parliament stresses the need for an active policy to prevent discrimination on grounds of age by monitoring the correct implementation of Directives 2000/78 and 2006/54 and promoting a European culture of active aging ensuring that older people have a life of vitality and dignity.

Mobility and transfers: labour-market mobility in the EU will be crucial in the coming years for job creation and economic growth. Issues such as lack of transferability, long vesting periods, preservation of dormant rights, non-regression and differences in tax treatment and actuarial principles must be addressed with a view to their consequences on pension systems. Members observe that there is a trend towards more defined-contribution schemes and fewer defined-benefit schemes. As a result, pension providers transfer the risk associated with investment to pension savers. Because of the diversity and complexity of the various capital-based occupational pension systems, Members state that conditions need to be laid down concerning the **portability of acquired pension entitlements** in the sense that portability begins when new contracts are concluded, an application for transfer being approved only if the actuarial sum transferred is to be placed in a fund whose purpose is payment of old-age pensions. They ask for an in-depth study on tax issues related to the capital-based occupational pension systems and life insurance capital systems. With regard to cross-border issues, the clear focus of EU activity should be on **developing minimum standards for the acquisition and preservation of pension rights** and on facilitating the establishment of national tracing systems for those rights.

Review of EU legislation: Parliament notes that in many Member States the importance of occupational pension systems has been recognised, and that the EU can add value by providing coordination between the various schemes. It calls on the Commission to encourage Member States to investigate how employees' **right to participate in the second pillar** can be facilitated through enhanced social dialogue and to make proposals for promoting such a pillar where it does not yet exist. Furthermore, obstacles remain for (third-pillar) individual pension insurance schemes being offered across borders, such as life insurance policies, obstacles remain. Members request suggestions from the Commission as to how these might be overcome, as well as a framework for regulating these activities.

Policy Coordination: Parliament states it would be helpful to establish a European pensions platform involving representatives of EU institutions, social partners and relevant stakeholders to exchange information about best practice and help to prepare policy initiatives, all in compliance with the subsidiarity principle. It also calls on the Commission to consider setting up a special task force on pensions, involving all relevant DGs with competences relating to pensions issues.

EU 2020 Strategy: Members regret that the 2020 Strategy devotes no explicit attention to decent, sustainable and adequate pension systems, although the attainment of some of the objectives presented in the 2020 Strategy depends on them. They suggest, therefore, incorporating the objectives of the Green Paper in the 2020 Strategy.