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on ‘Towards adequate, sustainable and safe European pension systems’
(2010/2239(INI))

Committee on Employment and Social Affairs

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MOTION FOR A EUROPEAN PARLIAMENT RESOLUTION

on ‘Towards adequate, sustainable and safe European pension systems’ (2010/2239(INI))

The European Parliament,

- having regard to the horizontal social clause in Article 9 of the Treaty on the Functioning of the European Union,
- having regard to the Commission Communication of 7 July 2010, ‘Green Paper, towards adequate, sustainable and safe European pension systems’ (COM(2010)0365),
- having regard to its resolution of 11 November 2010 on the demographic challenge and solidarity between generations¹,
- having regard to the report of the European Economic and Social Committee on the Commission Communication of 7 July 2010, ‘Green Paper, towards adequate, sustainable and safe European pension systems’²,
- having regard to the Commission proposal for a Council decision on guidelines for the employment policies of the Member States: Part II of the Europe 2020 Integrated Guidelines (COM(2010)0193) and to its resolution of 8 September 2010 thereon³,
- having regard to the Commission Communication of 29 April 2009 on ‘Dealing with the impact of an ageing population in the EU (2009 Ageing Report)’ (COM(2009)0180) and to its resolution of 7 September 2010⁴,
- having regard to its resolution of 6 May 2009 on the active inclusion of people excluded from the labour market⁵,
- having regard to its resolution of 6 May 2009 on the renewed social agenda⁶,
- having regard to its resolution of 20 November 2008 on the future of social security systems and pensions: their financing and the trend towards individualisation⁷,
- having regard to its resolution of 9 October 2008 on promoting social inclusion and combating poverty, including child poverty, in the EU⁸,
- having regard to the Commission proposal to the European Parliament and the Council

¹ Texts Adopted, P7_TA(2010)0400

² EESC/SOC/386, 20 January 2011.

³ Texts Adopted, P7_TA(2010)0309.

⁴ Texts Adopted, P7_TA(2010)0306.

⁵ Texts Adopted, P6_TA(2009)0371.

⁶ Texts Adopted, P6_TA(2009)0370.

⁷ OJ C 16E, 22.1.2010, p. 25.

⁸ OJ C 9E, 15.1.2010, p. 11

- (COM(2005)0507) and to its resolution of 20 June 2007¹,
- having regard to the 2001 Stockholm European Council strategy consisting of reforming pension systems in Europe,
 - having regard to the 2001 Laeken European Council decision on common objectives for pensions, emphasising the need to make them adequate, sustainable and adaptable,
 - having regard to the Charter of Fundamental Rights and particularly Article 23 thereof,
 - having regard to Rule 48 of its Rules of Procedure,
-
- A. whereas people are nowadays entering the labour force at a later age due to unemployment rates that particularly affect poorly qualified young people, or due to longer and, for some, higher education, and on average people leave the labour market earlier than the legal pension age, their working lives are punctuated by periods away from work, and they live longer,
 - B. whereas the financial and economic crisis has greatly added to the underlying demographic challenge facing the EU,
 - C. whereas current data show that the number of people entering the labour market is declining (the EU population of working age will start to shrink from 2012) 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); whereas this trend varies depending on demographic differences between Member States,
 - D. whereas the provision of adequate, sustainable and safe pensions is inextricably linked with higher levels of employment, greater productivity and economic growth,
 - E. whereas the economic governance of the European Union should take into account the holistic approach as presented in the Green Paper,
 - F. whereas the financial crisis has led to a growth in unemployment, poverty and social exclusion, rising budget deficits in many Member States and problems in the financing of pensions (whether tax or otherwise funded), and has demonstrated the fragility of certain pension fund systems,
 - G. whereas the goal of a 75% employment rate laid down in the EU 2020 Strategy should help secure the sustainability of pension systems,
 - H. whereas the increasing prevalence of interim or precarious jobs is reducing contributions to pension systems and damaging the stability of those systems and the adequacy of future pensions,

¹ OJ C 146E, 12.6.2008, p. 122.

- I. whereas risk mitigation and shock absorption need to be taken into account in the design of pension funds,
- J. whereas people who devote their time and skills to bringing up children or caring for the elderly should receive social recognition and whereas this could be done by giving such persons individual rights, particularly regarding pensions,
- K. whereas equality between women and men is a value, an objective and a fundamental right in the Union and EU institutions have the duty to include gender equality in all their actions,
- L. whereas women face direct and indirect discrimination in different pensions-related aspects in the European Union,
- M. whereas the projected impact of pension reforms is usually based on a male, full-time, full career and an average earner profile, and whereas actuarial gender-based life tables have a negative impact on women's pension calculations and provide a lower replacement rate for women,
- N. whereas older women are in a particularly precarious position when their right to a pension income is derived from their marital status (spousal or survivor benefits) and when they do not have adequate pension rights of their own due to career breaks,

GENERAL

EU level and Member States

1. Welcomes 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, safeguarding the subsidiarity principle; points 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;
2. Stresses that Member States are all confronted with enormous challenges in ensuring that citizens' expectations for adequate and sustainable pensions are met, in a time when social and economic circumstances in general are difficult and even differ by Member State and legal system;
3. Stresses that SMEs, as one of the main sources of employment and growth in the EU, will continue to make a significant contribution to the sustainability and adequacy of pension systems in Member States; wishes therefore to see the development of sectoral, intersectoral and/or territorial funds to increase affiliation of workers in SMEs to pension systems, which could serve as an example of best practice;
4. Observes that for the completion of the internal market sound economic and social policies, taking account of the challenges of intergenerational solidarity, make an important contribution to sustainable employment policies, growth and stability, notably by preserving social cohesion; points out that social partners have an important role to play in that connection;

5. 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;
6. Notes that both the Broad Economic Policy Guidelines and the Stability and Growth Pact refer to age-related public expenditure; believes that the accurate inclusion of public direct pension liabilities in public debt and deficit calculations is one of many conditions for sustainability; requests that the reform of economic governance take this dimension into account by ensuring adequate treatment of the various pension-system pillars and focusing on their sustainability;
7. Calls on the Commission and the Council – given that a sustainable and properly functioning pension system is extremely important for citizens and for the stability of public finances – to ensure that the costs of pension reform continue to be taken into account in assessing whether a Member State should be subject to the excessive deficit procedure, and recommends that the focus should be on the sustainability of the funding system as opposed to any specific type of pension reform; considers it regrettable that certain Member States have reversed pension reforms implemented in recent years, or are considering so doing, in order to cut their budget deficits; notes that systemic pension reforms entail substantial transformation costs, which must be taken into account for the purpose of calculating government debt and budget deficits;
8. Emphasises that the sustainability of public finances requires the inclusion of total public and private debt in the assessment; points out that pension savings constitute something more than merely savings earmarked as pension; requests that the full scale of unfunded direct public-sector pension liabilities be made transparent and explicitly disclosed, with a view to the long-term sustainability of public finances;
9. Stresses that pensions and pension systems are the responsibility of the Member States; recognises that Member States' economies are interdependent, and therefore calls on the EU and the Member States to properly coordinate their different pension policies and by using the Open Method of Coordination to guarantee the adequacy, safety and sustainability of pension systems;
10. 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 and that there is therefore a lack of transparent supervision applicable to all systems; stresses that the EU should primarily enhance the comparability of pension schemes and promote the exchange of good practices; is of the opinion that the Commission needs to make the necessary efforts 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;

Gender

11. Regrets that the Green Paper does not devote enough attention to gender issues; considers that 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, sickness,

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; therefore calls on the Commission and Member States 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;

12. Stresses the importance of individualising pension entitlements and calls for criteria to be used in calculating women's pensions in such a way as to guarantee the economic independence of both men and women; urges Member States also to consider a life course approach to pensions, so as to provide answers to challenges of a modern working life cycle;
13. Notes that inter-generational justice and the interests of the younger generation must be central aspects of a strengthened coordination method for the further development of national pension policies on the basis of cooperation between the Member States;
14. Urges the Commission and the Member States to obligate occupational and other supplementary pension providers to use gender-neutral mortality tables when calculating pension benefits so as to prevent women from being punished for their higher life expectancy;

ADEQUACY

15. 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; 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; considers that Member States should define adequacy as the condition required for older people to live a decent life;
16. Considers that Member States are themselves responsible for making adequate pension provisions for their citizens as part of their social and economic policies; encourages them to put in place a system which is the most appropriate for guaranteeing a decent standard of living for everybody, with particular attention to the most vulnerable groups in society;
17. Stresses that, within the range of pension systems, diversification of pension income from a mix of public (first pillar) and work-related (in most cases second pillar) schemes, can provide a guarantee of adequate pension provision;
18. Notes that in most Member States the first pillar is the most important one and based on the solidarity principle and that the financing of the first pillar will be less under pressure if more people are at work and if illegal and undeclared work is addressed, while other alternative forms of financing the first pillar could also be discussed between the Member States in the Open Method of Coordination; stresses that statutory pay-as-you-go schemes have proved their stability and reliability in the test presented by the financial and economic crisis; calls on Member States to ensure that first-pillar pensions are above the poverty line;
19. Stresses that, regarding the sustainability and adequacy of pension systems, in some

Member States third pillar savings provisions play a role; stresses, however, that this option is available only to persons who have an adequate income which would enable them to contribute to such systems and therefore can only play a limited role in providing a decent income;

20. Believes that better sharing of information between Member States on the costs and effectiveness of forms of tax relief on private pensions would be very useful;
21. Considers that, given budgetary pressure, efficiency in social spending is of major importance; considers that, in view of the current budgetary pressure, social spending has played a significant economic and social role in softening the effects of the crisis; considers that pay-as-you-go schemes have demonstrated their fundamental role in creating solidarity between generations; also considers that the second and third pillars have a supplementary role to play in reducing pressure; calls on Member States to ensure the best possible mix of forms of pension provision to safeguard pensions in the future; calls upon Member States to improve citizens' access to private savings schemes; points out that, because of the financial crisis, several Member States are planning to introduce changes to their pension systems; 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; advocates that, if choices can be made by employees, enough time should be provided for them to make informed and well thought-out decisions;
22. Stresses that economic growth and high employment rates increase, while high inflation damages, the sustainability and adequacy of pension systems;
23. Considers that tax evasion has become a worrying phenomenon and must be combated as effectively as possible, because it undermines the future adequacy and stability of pension systems;

RETIREMENT AGE

24. Considers that, in view of demographic trends and the need to ensure that pensions can be paid for, it is necessary for more people to participate in the labour market and to do so for longer, but observes that life expectancy is growing and that better occupational health is a precondition for longer working lives; calls on Member States to actively debate and evaluate with the social partners and relevant organisations a possible linkage between the statutory retirement age and life expectancy and differentiating the compulsory retirement ages to make it possible for people who want to carry on working to do so; calls on the Member States which have increased the statutory retirement age or will be doing so to encourage work by older people through fiscal and social security exemptions; also calls on the Member States to create adapted and flexible employment contracts and retirement schemes for older people and to encourage and facilitate combining work with retirement and put in place dissuasive measures so that companies find it harder to make older people redundant; calls on the Commission to set up a study analysing the way wealth distribution is influencing life expectancy in Member States;
25. Notes that there are major disparities in the statutory retirement age and in the actual age at which older people cease to be employed and recommends that priority should be

given to ensuring that employees can work until the statutory retirement age; observes that these disparities are especially salient for employees in the most onerous occupational categories; calls on Member States and social partners, therefore, to exchange information about good practices; also calls on them to conclude agreements which have a positive impact on sustainable pensions and lead, in a flexible way, to a prolongation of working life until the statutory retirement age, for example by developing comprehensive age management strategies at national and company level, by developing new forms of work-life balance provisions adapted to the specific needs of older workers and by rewarding people who work longer;

26. Stresses that an older labour force and longer working lives can make a positive contribution to the recovery and future growth; considers that, for (older) employees performing physically and/or mentally demanding work, a dynamic labour market must offer creative solutions such as greater flexibility in the statutory retirement age, part-time pensions, adapted working conditions, encouraging lifelong learning, improving job-seeking services or movement from one job to another, to strike a lasting balance between the requirements of employment and the capacities of workers; considers there to be a 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; calls on Member States to combine penalties for labour market discrimination with incentives for employers to create an inclusive labour market; calls on the Member States, in the context of the reforms and the extension of working life and with the assistance of the Commission, to implement more effectively the directives on health and safety at work;

EU 2020 STRATEGY

27. Welcomes the reference in the 2020 Strategy to the inclusion of older workers in the labour market; regrets 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; suggests, therefore, incorporating the objectives of the Green Paper in the 2020 Strategy;
28. Considers that, if the 2020 Strategy is successful, this will mean that more secure, quality jobs will be created and that more people are in work with appropriate wages and terms of employment, which will entail an increase in payments of compulsory social security contributions, and that economic growth will benefit from this, thus enhancing both the sustainability and adequacy of pension systems;
29. Supports, in accordance with the 2020 Strategy, a targeted and active labour market policy which will lead to increased participation in employment by those currently under-represented in the labour market, particularly the most vulnerable; considers that the EU should develop new indicators to monitor the impact of pension reforms on vulnerable groups; stresses that within the European Union illegal work is still widespread and that this weakens social policy options; calls on the competent bodies in the Member States to promote social inclusion and combat undeclared work in order to improve the balance of pension systems;

IORP DIRECTIVE

30. Observes that the implementation of the IORP Directive by Member States generally has been delayed; calls on the Commission, if necessary, to take action against Member States in order to ensure correct and timely implementation of the IORP Directive;
31. Agrees that a high degree of security for future pensioners, at a reasonable cost for the sponsoring undertakings and in the context of sustainable pension systems, should be the goal;
32. Notes that Article 15(6) of the IORP Directive states, with regard to the calculation of technical provisions, that ‘the Commission shall propose any necessary measures to prevent possible distortions caused by different levels of interest rates and to protect the interest of beneficiaries and members of any scheme’; calls on the Commission to carry out an impact assessment before revising the IORP Directive and to take account of the trend towards more defined-contribution schemes and fewer defined-benefit schemes;
33. Recalls the statements in the IORP Directive that ‘a genuine internal market for financial services is crucial for economic growth and job creation in the Community’ and that ‘this Directive thus represents a first step on the way to an internal market for occupational retirement provision organised on a European scale’;
34. Emphasises that the newly established European supervisory authority (European Insurance and Occupational Pensions Authority) must make full use of its competences and play an important role in the preparatory process for a review of the IORP Directive, and in developing legal provisions, such as draft technical standards, guidelines and recommendations for a solvency regime; recalls that the IORP Directive should not apply to any public pension liabilities or work-related pension systems in the first pillar;
35. Considers the qualitative elements of Solvency II to be a valuable starting point for enhancing the supervision of IORPs; notes that this applies in particular to requirements in relation to good risk management;

MOBILITY AND TRANSFERS

36. Stresses that labour-market mobility in the EU will be crucial in the coming years for job creation and economic growth; considers, therefore, that citizens’ confidence will be improved when obstacles to internal and cross-border mobility are removed; notes that 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; stresses the positive impact which a more dynamic labour market could have on the pension system;
37. Notes that, in the first pillar, pension entitlements are governed by the relevant coordinating Regulation, but that, for other pillars, simplified arrangements are needed;
38. Observes that there is a trend towards more defined-contribution schemes and fewer defined-benefit schemes; notes that, as a result, pension providers transfer the risk associated with investment to pension savers; considers that, because of the diversity and

complexity of the various capital-based occupational pension systems, 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; asks for an in-depth study on tax issues related to the capital-based occupational pension systems and life insurance capital systems; considers that, 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;

39. Welcomes the establishment of national tracing systems for pension rights from different sources in all Member States, and calls upon the Commission to submit proposals for a European tracing system;

REVIEW OF EU LEGISLATION

40. 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 and encouraging Member States to ensure that a - in social, legal and economic terms - justifiable framework is in place which adequately protects pension plan members and guarantees access to understandable pension information; stresses that in cases where Member States have mandatory pension funds managed by private institutions, such schemes should also be assessed from the point of view of compliance with European conditions and criteria as regards security, investment and asset classification; underlines as a principle that all proposals on occupational pension systems must be fully impact assessed in particular with a view to quantifying the additional costs and administrative burden;
41. Considers that in those Member States where compulsory occupational pension systems are set up and not mainly included in the first pillar, these second pillar provisions should be available to all workers by right, without any discrimination on grounds of age, sex, sector and/or employment contract;
42. 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; calls on them also to develop a method of governance to ensure that this fund is managed jointly, particularly with regard to its savings investment strategy;
43. Calls on the Member States to support the development of social and civic dialogue concerning old-age pension provision and to take full account of the results of this dialogue;
44. Considers that the EU rules concerning the third pillar and its smooth cross-border functioning must be examined in the light of the proper functioning of the internal market, particularly for financial products, and that a level playing field should be created; underlines that this re-examination of the rules must take account of the interests of members of these schemes;
45. Believes that, in order to achieve consistency of prudential regimes among different

financial services providers, the ‘same risks – same rules – same capital’ principle must apply, taking into account the characteristics of each pension product or scheme;

46. Acknowledges that for (third-pillar) individual pension insurance schemes being offered across borders, such as life insurance policies, obstacles remain; requests suggestions from the Commission as to how these might be overcome, as well as a framework for regulating these activities;
47. Observes that, where powers relating to pensions are vested in the European Union, European law is very fragmented; calls on the Commission to investigate whether it would be appropriate to rationalise this regulatory framework as part of better regulation;

EUROPEAN LEGISLATION/GOOD PRACTICE

48. Points out that a decision has already been taken to establish the European Insurance and Occupational Pensions Authority (EIOPA); stresses the need to equip it so that it can perform effectively the tasks entrusted to it and, in particular, can take appropriate account of the specificities and characteristics of occupational pensions;
49. Observes that pension funds, including IORPs, are still regulated and supervised as stand-alone financial entities, although in practice conglomerates undertake these activities;

CAPITAL REQUIREMENTS

50. Considers that proposals for a solvency regime for IORPs must recognise the specificities of pensions, bearing in mind that risks in the insurance sector are different from those faced by IORPs, in particular as regards the conditionality of pension rights, the duration of pension portfolios and the fact that IORPs are special-purpose vehicles operating a homogenous product portfolio; stresses that the key aim of such a regime would be to provide enhanced protection to current and future pensioners; believes that the impact of such proposals needs to be fully assessed, in particular with a view to quantifying the additional costs and administrative burden; believes that any revision of a solvency regime for IORPs should be carried out within the framework of the existing IORP Directive; stresses that addressing the questions related to a capital requirements regime for pension funds is closely linked to adequate resolution of the issues concerning Article 8 of the Insolvency Directive;
51. Stresses, in line with the Commission’s statement in the Green Paper, that the IORP Directive is based on a Solvency I minimum harmonisation approach, whereas, in the near future, insurance undertakings will apply the risk-based Solvency II regime even for their occupational pension activity;
52. Stresses that financial markets can function efficiently only when there is confidence and trust and considers that confidence and trust require solid prudential rules for financial institutions, and that IORPs should be no exception to this;
53. Calls on the Commission to develop proposals on decision-making in relation to the IORPs’ solvency regime and notably – in line with its declared intention in the Green

Paper – to launch an impact study on application of a Solvency-II-type solvency regime as soon as possible;

EU LEGISLATION ON INSOLVENCY

54. Takes good note of the wide variety in implementation and application of the Insolvency Directive; observes that, while the relevant legislative provisions may be fairly adequate, the results can be inadequate and thus at odds with the Directive's aim; refers to the Commission's conclusion that, in certain cases concerning the implementation of the obligations imposed by Article 8 of the Directive, issues can be raised as regards the extent to which some of these measures are sufficient to protect the interests of employees and retired persons in the event of insolvency of the employer and that a number of issues need to be addressed;
55. Calls on the Commission to follow the implementation of this Directive closely, to take action against Member States where justified and, in any review of this Directive, to take account of the specific situation concerning the employer's financing obligations vis-à-vis its employees or its pension fund;
56. Considers that there is a need to strengthen the EU legislation relating to employers' insolvency in order to offer all workers equal protection of their savings regardless of the nature of their employer's pension provision system;
57. Calls for an examination of whether pension insurance associations, such as those that exist in Luxembourg and Germany to protect the book reserve second pillar schemes, can be recommended to other Member States to protect the security mechanism;

INFORMATION / PARTICIPATION AND INVESTMENT

58. Is concerned about the lack of information provided to the public by public authorities and bodies administering pensions with regard to requirements, options, possibilities, accumulated entitlements, likely returns and the actual state of affairs with regard to old-age pensions; stresses that citizens have to be provided with information regarding the actual costs and charges when concluding additional pension scheme contracts and with optimal information on the status of their pensions; stresses also the importance of sound financial education from an early stage;
59. Notes that there is a need for increased transparency and disclosure of fees levied on asset management and especially on all layers of investments by private pension providers; considers that the information provided to citizens from Member States and by funds concerning the accumulated entitlements should be integrated into an operational, transparent and accessible system at European level;
60. Considers that members of the public must be promptly and fully informed of the long-term consequences of any reform of pension provisions, particularly concerning the amount of their own pension and the total number of years of pension contributions due; notes that reforms must provide for an effective and smooth transitional regime; calls on the Member States to launch campaigns which enable and encourage citizens to inform

themselves on the impact on their pension decisions as well as to ensure adequate pension provision for themselves;

POLICY COORDINATION

61. Considers that, in the further debate on an adequate, safe and sustainable pension system, 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; considers that, in order to avoid overlap in this context, account should be taken of the existing advisory committee on supplementary pensions (the ‘Pensions Forum’);
62. Calls on the Commission to consider setting up a special task force on pensions, involving all relevant DGs with competences relating to pensions issues;
63. Instructs its President to forward this resolution to the Council, the Commission and the governments and parliaments of the Member States.

EXPLANATORY STATEMENT

Demographic trends, i.e. the inverted population pyramid which we can expect in due course and the longer life expectancy which we have the good fortune to enjoy, in which context older people remain healthy and active and participate in society for longer, make it necessary to consider a strategy for fresh cohesion and coherence in the field of pensions.

It is high time for initiatives which redefine the future of young and old and solidarity between generations and people, thus contributing to sustainable, secure and adequate income provision after retirement.

The rapporteur fully realises that there are major disparities between pension systems in Europe, and that new Member States and their citizens face extra problems because it is so desirable to establish a diversified pension system (with several pillars), in order to spread risks.

In addition, many Member States with pay-as-you-go systems (particularly the EU-15) are confronted with big increases in costs now and in the future, which means growing pressure on solidarity and heavier burdens for the younger generation. Moreover, the financial and economic crisis has shown that no pension system is immune to such events but that large budget deficits, high unemployment and very limited scope for increasing the burden of taxation and other levies particularly hit pay-as-you-go systems.

Young people are entering the labour market later because they are better educated. In addition, there is a tendency to retire before reaching the statutory retirement age. People always work for less time than is necessary in order to cover their pension entitlements. The adoption of more flexible and individual pension and work systems can make it possible to participate in the labour market for longer, but these systems are too rare at present.

As a result of all this, it is even more difficult to achieve the conditions of the Stability and Growth Pact if savings have not been accumulated and the obligations towards pensioners which have been entered into are therefore fully included in calculations.

The rapporteur regards the Commission's Green Paper as positive, with the proviso that the responsibilities of Member States, the two sides of industry and Europe must each gain fresh impetus. We must therefore jointly, while recognising and preserving each party's responsibility, build a system which is sustainable and secure and results in adequate pensions at Member State level. A modern system which recognises that – and helps to bring about a situation in which – freedom of movement in Europe is not confined to first-pillar provision but is based on the assumption that the new generation in particular needs mobility, but so does an effective and efficient labour market. This, in other words, is a system in which solutions will be provided not only for present needs but also for the future.

I. Demographic change

- The population will be strongly dominated by the 55+ age group.
- Life expectancy will continue to rise: for men from 76 (2008) to 84 (2060), and for women from 82 (2008) to 89 (2060).
- Fertility will remain low in the EU (1.6).
- The ratio of the number of people aged over 65 to the working population will double from 25.4% (2008) to 53.5% (2060).
- Between 2007 and 2020, the working population will increase by 3.7% due to the growing number of women on the labour market. After 2020 the working population will fall by 13.6%.
- In 2008 there were 4 people in employment for every pensioner. In 2020 the corresponding figure will be 5 people in employment for every pensioner. In 2060 the corresponding figure will be 2 people in employment for every pensioner.
- Participation in employment (between the ages of 15 and 64) will rise from 70.6% (2007) to 74.1% (2060).
- In 2010 the average age at which people stop work in the EU is 61.4.

By 2060, average public expenditure relating to the ageing of the population will have risen to 4.75% of GNP and average public expenditure on pensions to 2.4% of GNP.

The financial and economic crisis, combined with demographic changes, will have an impact on pension systems. Because of higher unemployment, slower growth, smaller returns on investment and larger public deficits, it will be more difficult for pension systems to provide adequate pensions or in some cases to honour agreements. In most Member States, today's pensioners have not yet suffered on account of the crisis, while in some Member States cuts in public expenditure have included cuts in pensions.

In reforming their pension systems, many Member States have chosen to make cuts in the first pillar. Financial sustainability is important, but account must also be taken of the need to provide an adequate income. Keeping budgets sustainable and pension systems adequate are not conflicting objectives, but two sides of the same coin. Genuine sustainability cannot be achieved without ensuring that pensions are adequate. If pension systems are not adequate, this may lead to a decline in consumption and, because of reduced demand, to economic instability and hence financial problems. It may also put severe pressure on public expenditure on other forms of social security.

II. Responsibilities

Responsibility for a sustainable pension system and an adequate pension is shared between government, the two sides of industry and the individual.

The first pillar is based on solidarity among taxpayers. In most cases, it is a public pillar, financed by government using a pay-as-you-go system.

The second pillar is a shared responsibility of employers and employees, based on joint contributions governed by a legal framework established by the government and the two sides of industry.

It is also important to combat illegal work in order to preserve pension systems.

The first and second pillars are the basis for an adequate pension system. In this report the rapporteur defines an adequate pension as a minimum pension which is determined by each Member State itself.

The third pillar is based on individual contributions.

When pension systems are reformed in future, a link will need to be made between the first and the second pillars. These pillars, which in some Member States partially overlap, are closely related to the third pillar. At EU level a strong Open Method of Coordination must ensure that obligations of the first pillar are sustainable and adequate, while the second pillar must be adapted by increasing the role of the two sides of industry. Moreover, as regards the third pillar, the solvency of pension funds must be better regulated.

III. Competences

Pension systems are primarily the responsibility of the Member States, but in the case of certain aspects coordination at EU level is important: for example for the operation of the internal market, the requirements of the Stability and Growth Pact (SGP) and the EU 2020 Strategy. Other EU instruments provide support for the Member States, such as the Open Method of Coordination (OMC).

The impact of pension expenditure on public finances in one Member State may have a serious impact on other Member States. The SGP must therefore be a factor in national policies, particularly in the first pension pillar. Pension funds are an integral part of financial markets. The directive on supplementary pensions (second pillar) falls under the IORP Directive (2003/41/EC on the activities and supervision of institutions for occupational retirement provision). So far, this Directive has not applied to all the pension funds to which it would potentially have been relevant. This has resulted in inequalities of treatment and supervision between pension funds, depending on whether or not they are covered by it. The financial and economic crisis has made it clear how important it is to supervise pension funds at EU level. In this connection, an investigation of the cover and effectiveness of the Solvency I and II Directives would be desirable. The rapporteur strongly believes that such an examination of the three directives concerned should not be seen in isolation from responses to the Green Paper.

IV. A changing labour market

A balance between flexibility and security on the labour market supports the adaptability of the economy and strengthens the European social model. On the current-day labour market, people must be able to move between jobs easily and without facing financial obstacles. Employers must be able to appoint the right person with the right skills. This also makes it necessary to modernise pension systems in order to eliminate obstacles to mobility on the labour market. Incidentally, the labour market should also be flexible for pensioners.

As the labour market becomes more flexible and the number of women on it increases, the calculations made in pension systems, which are based on men with complete careers and

average incomes, are out of date, so that modernisation is needed here too. This is particularly true from the point of view that citizens have a right to accurate information about their pensions and the cost of the pension system (especially the first pillar).

Flexicurity schemes play an essential role in extending working life. People must be encouraged to prolong their careers, for example by modernising labour market policy and improving working conditions. At European, national and local level, policies must be geared to ageing actively.

V. Equal opportunities

The Green Paper does not devote any specific attention to equality between men and women. It is more common for women to work on atypical contracts than for men. On average, women earn less than men and interrupt their careers more often in order to act as carers. Consequently, their pensions are often smaller, which increases the risk of poverty for older women, as does the fact that they live longer (although the disparity between the sexes is declining). In some pay-as-you-go systems, caring periods are included in the contribution. However, this is not the case in supplementary pension schemes. The question to be resolved, therefore, is how solidarity should be financed.

The rapporteur considers that financial independence should be the general principle in social security. Individual pension entitlements guarantee economic independence for women and men.

One direction in which ways of increasing flexibility and eliminating differences between men and women could be sought is by assessing the adequacy of contributions to pension funds on the basis of the number of years for which contributions must be made in order to acquire the right to such a pension.

VI. Information

The transparency of pension systems and of the information about them given to citizens is vital to confidence. People must be made aware of the opportunities afforded by the various pillars of the pension system to secure an adequate pension. They must have access to the right information about the various risks. The crisis adds to the need for policy-makers to create stability by providing clear information about policy on pensions and about future pension income. Only then can members of the public make balanced decisions about their pension provision.

In this context the rapporteur considers it vital to cultivate awareness among members of the public that they should start saving for their pensions as soon as possible (financial education).

26.1.2011

OPINION OF THE COMMITTEE ON ECONOMIC AND MONETARY AFFAIRS

for the Committee on Employment and Social Affairs

on ‘Towards adequate, sustainable and safe European pension systems’
(2010/2239(INI))

Rapporteur(*): George Sabin Cutaş

(*) Associated committee – Rule 50 of the Rules of Procedure

SUGGESTIONS

The Committee on Economic and Monetary Affairs calls on the Committee on Employment and Social Affairs, as the committee responsible, to incorporate the following suggestions in its motion for a resolution:

PENSION FRAMEWORK

1. Welcomes the publication of the Green Paper entitled ‘Towards adequate, sustainable and safe European pension systems’; recognises that a wide debate on the future of pension systems in Europe is of vital importance and should take into account the current economic and demographic situation, completion of the single market and reform of economic governance, as well as the recently established European supervisory architecture;
2. Notes that both the Broad Economic Policy Guidelines and the Stability and Growth Pact refer to age-related public expenditure; believes that the accurate inclusion of public direct pension liabilities in public debt and deficit calculations is one of many conditions for sustainability; requests that the reform of economic governance take this dimension into account by ensuring adequate treatment of the various pension-system pillars and focusing on their sustainability;
3. Notes the Commission’s statement that ‘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’ (page 2 of the Green Paper,

- fifth paragraph); considers that it is for Member States to draw their own conclusions, where necessary, as this matter falls under the subsidiarity principle;
4. Stresses that, in the long term, sustainable economic growth is essential for prosperity and pension provision;
 5. Stresses that statutory PAYG schemes have proved their stability and reliability in the test of the financial and economic crisis;
 6. Emphasises that many Member States face major challenges as to how they ensure that pensions can be safeguarded in accordance with citizens' expectations;
 7. Emphasises that pensions and pension systems are, without doubt, matters that come within the exclusive competence, responsibility and decision-making power of the Member States; calls on the Commission to ensure clearly that it strictly respects the subsidiarity principle in this policy area;
 8. Considers that it is impossible and counterproductive to set a harmonised retirement age at European level since this age depends largely on the specific conditions prevailing in each Member State; stresses instead that effective measures must be taken to combat the sharp rise in unemployment in many Member States;
 9. Calls on the Commission and the Council – given that a sustainable and properly functioning pension system is extremely important for citizens and for the stability of public finances – to ensure that the costs of pension reform continue to be taken into account in assessing whether a Member State should be subject to the excessive deficit procedure, and recommends that the focus should be on the sustainability of the funding system as opposed to any specific type of pension reform; considers it regrettable that certain Member States have reversed pension reforms implemented in recent years, or are considering so doing, in order to cut their budget deficits; notes that systemic pension reforms entail substantial transformation costs, which must be taken into account for the purpose of calculating government debt and budget deficits;
 10. Emphasises that the sustainability of public finances requires the inclusion of total public and private debt in the assessment; points out that pension savings constitute something more than merely savings earmarked as pension; requests that the full scale of unfunded direct public-sector pension liabilities be made transparent and explicitly disclosed, with a view to the long-term sustainability of public finances;
 11. Recommends that Member States implement existing EU legislation more effectively in their policies with a view to improving the functioning of the internal market and facilitating workers' mobility; stresses that obstacles to internal and cross-border mobility must be removed; insists that facilitating workers' mobility by making pensions portable, both from employer to employer and across borders, is critical to improving citizens' confidence;
 12. Observes that, in the context of demographic ageing and the financial and economic crisis, pension reforms are often required; notes, at the same time, that ensuring an adequate retirement income for all is of great importance; emphasises that, in order to

achieve adequate pension levels, the system must be safe and sustainable but that reforms should not be restricted to lengthening the contribution period; considers in this respect that, in accordance with the principle of subsidiarity, it is for Member States to decide on an appropriate system and level of retirement pension provision;

13. Notes that, in some Member States, there is a need for increased transparency and for the disclosure of fees levied on asset management, especially on all layers of investment by private pension providers; further notes the intergenerational effects such fees may have, through the increased financial burden that may be placed on younger generations;
14. Recognises that there is no perfect pension system and that pension systems and economic circumstances differ across Member States, but is convinced that a balanced multi-pillar system of public, work-related and private, as well as funded and unfunded, schemes should be found; observes, however, that responsibility for devising a balanced multi-pillar system rests with the Member States; is of the opinion that each Member State should define a minimum target post-retirement income level so as to avoid increasing poverty among ageing populations;
15. Notes that the current terminology referring to the multi-pillar system does not correspond to the reality in various Member States; calls, therefore, on the Commission to make the necessary efforts to come up with a typology of pension systems in Member States, as well as a common set of definitions, in order to make systems comparable and thus substantially improve policy cooperation at European level;
16. Observes that there is a trend towards more defined-contribution schemes and fewer defined-benefit schemes; notes that, as a result, pension providers transfer the risk associated with investment to pension savers; stresses that pension savers must be informed in good time of the risk they are running; urges Member States to ensure a greater commitment from employers to contributing towards retired employees' income security;
17. Observes that, despite the great variety of pension products in the various Member States, not every European citizen has access to a wide range of such products; considers that European citizens should be given maximum access to various ways of accumulating pension rights, and recognises the need to improve access to existing pension products;
18. Observes that encouraging citizens to start saving at a younger age can considerably reduce the individual's pension gap, and welcomes the sharing of best practice across Member States with respect, for example, to pensions portals;
19. Notes that the divergent wage and social security levels in the Member States do not permit or justify an EU-wide harmonised minimum pension;
20. Notes the contribution that may be made by working longer and, at the same time, realises that workers generally do not work until the age at which they are entitled to draw full pension; takes note of the fact that employees in the most onerous occupational categories tend to retire earlier than others; considers that, in view of demographic trends and the need to ensure that pensions can be paid for, it is necessary for more people to participate in the labour market on a long-term basis; stresses that one of the important

priorities for achieving sustainability is to enable people to work until retirement age without discrimination, by implementing adequate enhancing policies with regard to employment and social provision – e.g. discouraging early retirement, introducing financial incentives and securing lifelong learning and adequate healthcare;

21. Believes that high economic growth is a precondition for achieving a higher level of employment and thus securing the financial base of public pension schemes; notes, therefore, that the EU should focus on means of achieving high and sustainable economic growth and a high employment rate; calls on the Commission and the Member States, in this regard, to facilitate labour-market reforms with the aim of factoring in flexicurity principles, to modernise social protection systems and to foster an environment in which companies can create jobs;
22. Considers that setting the retirement age is an issue to be addressed according to the subsidiarity principle, considering the variety of national, demographic and labour-force situations, and taking into account life expectancy, health and working conditions, among other factors; is of the opinion, however, that Member States should coordinate their pension policy strategies, using the open method of coordination (OMC); supports a policy of clear communication with citizens to ensure that people fully understand the level of pension they can expect;
23. Calls for a Commission study on the extent of cross-border labour mobility;
24. Calls for an examination of whether pension insurance associations, such as those that exist in Luxembourg and Germany to protect the second pillar in the event of bankruptcy, can be recommended to other Member States as a hedging mechanism and best practice;
25. Considers that, in view of the widely differing nature and the complexity of second-pillar schemes, basic conditions could be laid down to govern the EU-wide transferability of employee-financed occupational pensions;

IORP DIRECTIVE

26. Observes that the implementation of the IORP Directive by Member States generally has been delayed; calls on the Commission, if necessary, to take action against Member States in order to ensure correct and timely implementation of the IORP Directive;
27. Agrees that a high degree of security for future pensioners, at a reasonable cost for the sponsoring undertakings and in the context of sustainable pension systems, should be the goal;
28. Notes that Article 15(6) of the IORP Directive states, with regard to the calculation of technical provisions, that ‘the Commission shall propose any necessary measures to prevent possible distortions caused by different levels of interest rates and to protect the interest of beneficiaries and members of any scheme’;
29. Points to the fact that workers who move across borders in the EU still suffer major disadvantages as regards supplementary pension schemes, since their occupational pensions may be fragmented and they may lose tax and social security benefits related to

national occupational schemes;

30. Recalls the statements in the IORP Directive that ‘a genuine internal market for financial services is crucial for economic growth and job creation in the Community’ and that ‘this Directive thus represents a first step on the way to an internal market for occupational retirement provision organised on a European scale’;
31. Calls on the Commission to carry out an impact assessment before revising the IORP Directive and to take account of the trend towards more defined-contribution schemes and fewer defined-benefit schemes;

MOBILITY AND TRANSFERS

32. Stresses that free movement of persons is a fundamental right of European citizens; stresses the growing importance of labour-market mobility in the European Union, as well as the need for such mobility; considers that any adverse impact of labour mobility on individual pension entitlements must be kept to a minimum; observes that Regulation (EC) No 883/2004 on the coordination of social security systems regulates mobility for the first pillar; notes that no such framework yet exists for the second pillar; observes that various attempts have already been made to fill this lacuna in European law; encourages the Commission to find a solution to this fundamental problem as quickly as possible;
33. Welcomes the fact that some Member States operate pension tracing services which help people keep track of their pension rights from different sources within that Member State; encourages other Member States to develop similar systems; considers that ultimately it would be useful to interlink these national pension tracing services at EU level in order to promote the mobility of workers;

REVIEW OF EU LEGISLATION

34. Observes that, where powers relating to pensions are vested in the European Union, European law is very fragmented; calls on the Commission to investigate whether it would be appropriate to rationalise this regulatory framework as part of better regulation;

CAPITAL REQUIREMENTS

35. Considers that proposals for a solvency regime for IORPs must recognise the specificities of pensions, bearing in mind that risks in the insurance sector are different from those faced by IORPs, in particular as regards the conditionality of pension rights, the duration of pension portfolios and the fact that IORPs are special-purpose vehicles operating a homogenous product portfolio; stresses that the key aim of such a regime would be to provide enhanced protection to current and future pensioners; believes that the impact of such proposals needs to be fully assessed, in particular with a view to quantifying the additional costs and administrative burden; believes that any revision of a solvency regime for IORPs should be carried out within the framework of the existing IORP Directive;
36. Stresses, in line with the Commission’s statement in the Green Paper, that the IORP Directive is based on a Solvency I minimum harmonisation approach, whereas, in the

near future, insurance undertakings will apply the risk-based Solvency II regime even for their occupational pension activity;

37. Stresses that financial markets can function efficiently only when there is confidence and trust and considers that confidence and trust require solid prudential rules for financial institutions, and that IORPs should be no exception to this;
38. Believes that, in order to achieve consistency of prudential regimes among different financial services providers, the ‘same risks – same rules – same capital’ principle must apply, taking into account the characteristics of each pension product or scheme;
39. Underlines the fact that individuals have a right to information about the countries, sectors and products in which pension funds invest their assets;
40. Considers the qualitative elements of Solvency II to be a valuable starting point in relation to enhancing the supervision of IORPs; notes that this applies in particular to requirements in relation to good risk management;
41. Calls on the Commission to develop proposals on decision making in relation to the IORPs’ solvency regime and notably – in line with its declared intention in the Green Paper – to launch an impact study on application of a Solvency-II-type solvency regime as soon as possible;
42. Observes that pension funds, including IORPs, are still regulated and supervised as stand-alone financial entities, although in practice conglomerates undertake these activities;
43. Emphasises that any proposals for new legislation or changes to current legislation should be subject to a thorough impact assessment process;
44. Emphasises that the newly established European supervisory authority (European Insurance and Occupational Pensions Authority) must make full use of its competences and play an important role in the preparatory process for a review of the IORP Directive, and in developing legal provisions, such as draft technical standards, guidelines and recommendations for a solvency regime; recalls that the IORP Directive should not apply to any public pension liabilities or work-related pension systems in the first pillar;
45. Is of the opinion that, just as Solvency II allows companies in all branches of insurance to comply with the national legislation of 27 Member States’ in the fields of civil law, tax law or contract law, the design of a solvency regime applicable to IORPs, while clearly a European Union responsibility, must take account of all the occupational pensions, social and labour legislation established by Member States, in accordance with the subsidiarity principle;
46. Believes that, in order to increase transparency and accountability, pension funds should include on their management boards representatives of the social partners and of the fund beneficiaries;

INSOLVENCY

47. Takes good note of the wide variety in implementation and application of the Insolvency Directive; observes that, while the relevant legislative provisions may be fairly adequate, the results can be inadequate and thus at odds with the Directive's aim; refers to the Commission's conclusion that, in certain cases concerning the implementation of the obligations imposed by Article 8 of the Directive, issues can be raised as regards the extent to which some of these measures are sufficient to protect the interests of employees and retired persons in the event of insolvency of the employer and that a number of issues need to be addressed;
48. Calls on the Commission to follow the implementation of this Directive closely; to take action against Member States where justified; and, in any review of this Directive, to take account of the specific situation concerning the employer's financing obligations vis-à-vis its employees or its pension fund;
49. Stresses that addressing the questions related to a capital requirements regime for pension funds is closely linked to adequate resolution of the issues concerning Article 8 of the Insolvency Directive;
50. Considers that there is a need to strengthen the EU legislation relating to employers' insolvency in order to offer all workers equal protection of their savings regardless of the nature of their employer's pension provision system;

INFORMATION

51. Realises that employees' and private individuals' knowledge about pensions is very limited; is of the opinion that employees and private individuals need to be better informed about any pension rights they build up in the various pillars, the conditions to which they are subject, the security and portability of these rights, the possible need for further savings to reach a target level, and the disclosure of fees associated with asset management of any layer of pension funds;
52. Notes that, in many Member States, there is huge choice in the second and third pillars; emphasises that pension choice is very complex for employees and private individuals; is of the opinion that default options should be available and that adequate information must be available concerning the differences between the default option and the alternatives;
53. Takes the view that workers should be provided with information about the costs, fees and risks linked to the conclusion of contracts for additional pension provision;

POLICY COORDINATION

54. Recalls that Commission President Barroso made pensions a priority in his first term of office; is of the opinion that a coherent and comprehensive approach is needed; welcomes the Green Paper as a first step towards such an approach; looks forward to concrete legislative proposals in the near future; points out that any concrete legislative proposal needs to take due account of the principle of subsidiarity;
55. Calls on the Commission to consider setting up a special task force on pensions, involving all relevant DGs with competences relating to pensions issues;

56. Considers that establishing a European pension platform covering all pension pillars and open to all stakeholders could be useful; considers that, in order to avoid overlap in this context, account should be taken of the existing advisory committee on supplementary pensions (the 'Pensions Forum');
57. Stresses the importance of the OMC for policy coordination; encourages Member States to step up cooperation with one another and at European level;
58. Believes the European institutions should lead by example in setting adequate and sustainable pensions; notes that the last full review of the European institutions' pension provision was in 2004 and therefore requests the Commission to undertake a detailed review of current procedures and provision and to submit a detailed report to Parliament by June 2011.

RESULT OF FINAL VOTE IN COMMITTEE

Date adopted	25.1.2011
Result of final vote	+: 35 -: 6 0: 4
Members present for the final vote	Burkhard Balz, Sharon Bowles, Udo Bullmann, Pascal Canfin, Nikolaos Chountis, George Sabin Cutaş, Rachida Dati, Leonardo Domenici, Derk Jan Eppink, Diogo Feio, Markus Ferber, Elisa Ferreira, Vicky Ford, Ildikó Gáll-Pelcz, José Manuel García-Margallo y Marfil, Jean-Paul Gauzès, Sven Giegold, Sylvie Goulard, Liem Hoang Ngoc, Gunnar Hökmark, Othmar Karas, Wolf Klinz, Jürgen Klute, Philippe Lamberts, Werner Langen, Astrid Lulling, Hans-Peter Martin, Arlene McCarthy, Sławomir Witold Nitras, Ivari Padar, Anni Podimata, Antolín Sánchez Presedo, Olle Schmidt, Edward Scicluna, Peter Simon, Peter Skinner, Theodor Dumitru Stolojan, Ivo Strejček, Kay Swinburne, Ramon Tremosa i Balcells
Substitute(s) present for the final vote	Sophie Auconie, Sari Essayah, Danuta Jazłowiecka, Thomas Mann, Gay Mitchell

26.1.2011

OPINION OF THE COMMITTEE ON THE INTERNAL MARKET AND CONSUMER PROTECTION

for the Committee on Employment and Social Affairs

on ‘Towards adequate, sustainable and safe European pension systems’

(2010/2239(INI))

Rapporteur: Cornelis de Jong

SUGGESTIONS

The Committee on the Internal Market and Consumer Protection calls on the Committee on Employment and Social Affairs, as the committee responsible, to incorporate the following suggestions in its motion for a resolution:

General

1. Stresses that pensions have to be universal, adequate and sustainable, guaranteeing decent pension entitlements and levels for all, and have to take account of the diversity of professional circumstances and careers;
2. Stresses the importance of the solidarity-based first-pillar pensions which are at the heart of the European social model and on which most European citizens depend, including the most vulnerable such as those outside the labour markets; calls on Member States to ensure that first-pillar pensions are above the poverty line;
3. Asserts that, despite the differences between Member States as to the funding of pension insurance systems, contributory and redistributive schemes remain the main pillar for workers’ pension insurance;
4. Calls on Member States to pay attention to the financial sustainability and viability of first- and second-pillar schemes; highlights the fact that, for the purpose of future funding requirements for public finances, the current budgetary and demographic pressures on Member States, as well as an ageing population, a growing female labour force, changing family structures and atypical employment should be taken into account when reviewing

and re-formulating pension schemes in the various Member States; highlights the fact that Member States in the euro zone are joined together in such a way that fulfilling pension obligations can have a cross-border effect;

5. Points 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;
6. Believes that reforms in pension schemes should be carried out in a transparent manner and should guarantee that pension regimes are robust, sustainable and affordable and adequately address the demographic and socio-economic challenges of the future;
7. Is convinced that the mobility of contribution-paying workers, which the Union and its single market increasingly need, requires across-the-board portability of pension entitlements accrued in any national pension insurance schemes, whether contributory and redistributive or funded;
8. Points out that the change in the balance between the retired and working populations has weakened pay-as-you-go pension schemes based on the principle of solidarity;
9. Points out the complementarity and interdependence of the various pension scheme pillars;

Consumer rights

10. Notes that many pension systems still lack transparency concerning amounts and expected pension levels, where applicable both at a pre-contractual stage and when the pension agreement is concluded; stresses that this lack of transparency is particularly problematic in the case of private pension schemes, in connection with which citizens must have reliable information available to them as to the risks incurred, relevant costs and expected pension level;
11. Urges the Member States to overcome transparency issues regarding pensions by taking a 'best practices' approach; asks for effective regulation and supervision of pension schemes while also taking into account the Open Method of Coordination, which is needed to ascertain that citizens' rights and interests are safeguarded, given that a large percentage of citizens are highly dependent on pension schemes for their livelihood;
12. Highlights the importance of the proper dissemination of information to citizens by keeping them informed of their rights with regard to pension schemes, especially those relating to cross-border activities and mobility;
13. Calls on the Commission to submit concrete proposals for increasing transparency in relation to pension schemes;
14. Stresses the importance of sound financial education from an early stage;
15. Calls on Member States to strengthen the access of SMEs, in particular micro-companies and individual service providers (such as freelancers), to pension funds;

16. Welcomes the establishment of national tracing systems for pension rights from different sources in all Member States, and calls upon the Commission to submit proposals for a European tracing system;
17. Notes that the EU should not only improve all pension rights of mobile workers but also ensure that they have access to reliable data to make an informed decision before moving abroad; calls for individuals to have a right to information concerning the countries, sectors and products in which pension funds invest their assets;
18. Calls on Member States which have not already submitted concrete plans with clearly quantifiable and time-defined milestones and targets on how to strengthen their pension system to treat this matter urgently, so as to enable consumers and citizens to have a clear understanding of what their future pensions will consist of;

Cross-border rights

19. Emphasises that to meet citizens' expectations as regards the Union's internal market, ideally all pension rights should be portable within the EU; points out that, currently, the portability of statutory pensions is established in European law, but needs to be improved, and that nothing has yet been done with regard to the second pillar;
20. Stresses that, in order to improve cross-border mobility for workers within the internal market, obstacles to the possibility of transferring pension rights to the first two pillars must be removed; calls on the Commission, in cooperation with the Member States, to provide better information concerning both the possibility of transferring pension rights and applicable labour law, insurance rights and workers' rights;
21. Calls on the Commission to examine in depth the obstacles to portability; takes the view that any action on removing obstacles to mobility, such as tax discrimination against cross-border life insurance payments, should concern all work-related pension schemes in every Member State, independent of how these schemes are embedded in national pillar structures; asks the European Commission to define general principles with sufficient flexibility for the Member States to accommodate them within their own (legal) structures;
22. Considers therefore that, as it is in the best interests of the European Union and the Member States to increase workers' mobility, obstacles to internal and cross-border mobility must be removed and 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;
23. Calls on the Commission to clarify certain definitions in the IORP-directive, in particular the concept of cross-border activity, while taking into account that the definition of 'pension fund' differs within the Member States;
24. Acknowledges that for (third-pillar) individual pension insurance schemes being offered across borders, such as life insurance policies, obstacles remain; requests suggestions from the Commission as to how these might be overcome, as well as a framework for regulating these activities.

RESULT OF FINAL VOTE IN COMMITTEE

Date adopted	26.1.2011
Result of final vote	+: 34 -: 3 0: 1
Members present for the final vote	Pablo Arias Echeverría, Cristian Silviu Buşoi, Lara Comi, Anna Maria Corazza Bildt, António Fernando Correia De Campos, Jürgen Creutzmann, Christian Engström, Evelyne Gebhardt, Louis Grech, Małgorzata Handzlik, Malcolm Harbour, Iliana Ivanova, Sandra Kalniete, Eija-Riitta Korhola, Edvard Kožušník, Kurt Lechner, Toine Manders, Hans-Peter Mayer, Gianni Pittella, Mitro Repo, Zuzana Roithová, Heide Rühle, Matteo Salvini, Christel Schaldemose, Andreas Schwab, Laurence J.A.J. Stassen, Catherine Stihler, Róza Gräfin von Thun und Hohenstein, Kyriacos Triantaphyllides, Emilie Turunen, Bernadette Vergnaud, Barbara Weiler
Substitute(s) present for the final vote	Cornelis de Jong, Frank Engel, Ashley Fox, Liem Hoang Ngoc, Morten Løkkegaard, Konstantinos Poupakis

15.12.2010

OPINION OF THE COMMITTEE ON WOMEN'S RIGHTS AND GENDER EQUALITY

for the Committee on Employment and Social Affairs

on Towards adequate, sustainable and safe European pension systems
(2010/2239(INI))

Rapporteur: Barbara Matera

SUGGESTIONS

The Committee on Women's Rights and Gender Equality calls on the Committee on Employment and Social Affairs, as the committee responsible, to incorporate the following suggestions in its motion for a resolution:

- having regard to the 2001 Stockholm European Council strategy consisting of reforming pension systems in Europe,
 - having regard to the 2001 Laeken European Council decision on common objectives for pensions emphasising the need to make them adequate, sustainable and adaptable,
 - having regard to the Green Paper: Towards adequate, sustainable and safe European pension systems,
- A. whereas pension calculations are based on insured salaries and on work period and whereas there is a significant disadvantage for women in the retirement amount received due to work interruptions and often involuntary part-time work on one side and the gender pay gap, hindering the necessary rights and savings to enjoy security in the old age, whereas this leads to repercussions on their lifetime earnings, social security protection and pensions, resulting in higher at-risk-of-poverty rates, especially once in retirement,
- B. whereas the Member States are responsible for pensions and whereas their competence in this field should be respected,
- C. whereas people who devote their time and skills to bringing up children or caring for the elderly should receive social recognition and whereas this could be done by giving such persons individual rights, particularly regarding pensions,

- D. whereas equality between women and men is a value, an objective and a fundamental right in the Union and EU institutions have the duty to include gender equality in all their actions,
- E. whereas women face direct and indirect discrimination in different pensions-related aspects the European Union,
- F. whereas the projected impact of pension reforms is usually based on a male, full-time, full career, average earner profile and actuarial gender-based life tables have a negative impact on women pension calculations and provide a lower replacement rate for women,
- G. whereas, during their career, women are more often interrupting their career to take care of children, dependent persons or ill or elderly family members and tend to interrupt their work or to work part-time more often than men in order to devote themselves to their family obligations,
- H. whereas retired people are at risk of pauperisation and whereas elderly women are one of the most vulnerable groups at risk of poverty, whereas in 2007, the at-risk-of-poverty rate was higher for women (17%) than men (15%) and this gap was especially high for older persons (22% for women compared to 17% for men) and single parents (34%),
- I. whereas home caregivers remain discriminated against in terms of the failure to count their years of work towards pensions and other entitlements,
- J. whereas older women are in a particularly precarious position when their right to a pension income is derived from their marital status (spousal or survivor benefits) and when they do not have adequate pension rights of their own due to career breaks,
- K. whereas equality in male and female pensions, including as regards the retirement age, has been set as a goal and whereas there is a pension gap between women and men as a continuation and consequence of the persisting gender pay gap, which is currently 18% on average in the EU and up to 30.3% in some Member States, leading to inequalities in the labour market and risk for poverty at older age,
- L. whereas most European systems have raised the legal retirement age, or are preparing to do so, based inter alia on life expectancy,
- M. whereas elderly people have difficulties in finding their place in labour market and often are first to be made redundant and when laid off, they do not have the possibility to contribute to an adequate pension,
- N. whereas most Member States propose to rely increasingly on privately funded pension schemes to ensure an adequate replacement rate, which means that the broad spread of disadvantages faced by women in gaining access to these schemes must be tackled - the gender career gap, unpaid carer's breaks or occupational segregation which result in women having less access to good quality occupational pension schemes,
- O. whereas women often work in lower-paid jobs, making it more difficult to save for pension schemes,

1. Is of the opinion that pension systems should be based on adequate, sustainable and fair criteria; calls on the Member States to ensure that pension systems take into account the situation of women and men who interrupt their careers due to caring obligations to ensure equal treatment and take into consideration the periods when women are under part-time contracts, or maternity leave; and to avoid creating new dependency traps;
2. Is of the opinion that any proposal on adequate, sustainable and safe European pension systems must aim to eliminate inequalities between women and men in the European Union; it must prohibit direct discrimination in private and public pension schemes, including the practice of basing the level of payments and contributions on life-expectancy, i.e. private, public and occupational pension schemes, which are based on defined contributions, should apply unisex actuarial criteria;
3. Considers that periods spent by women or men in taking care of children or other dependent family members should be taken into account as effective insured periods counting towards their pension entitlement and for the calculation thereof;
4. Calls on the Member States to address the structural factors contributing to inequality in pension schemes, including the organisation of care and combining family and work life, inequalities in the labour market, the gender pay gap and direct discrimination in second and third pillar pensions;
5. Calls on the Member States to include in the pension calculation the time and investment involved in looking after dependents, whatever their age or degree of dependency;
6. Calls on the Member States to guarantee individual and adequate pension rights for all, including those with justified career breaks – mainly women – to ensure a dignified life for all in old age;
7. Calls on the Member States to ensure equality in pensions, for example by accounting for child-care periods or family-care periods in pension schemes, especially taking into account that these tasks are still mostly performed by women, thereby cutting into their pensions;
8. Points out that women's own income and paid employment remains key to their economic autonomy and to greater equality between women and men in society as a whole; calls on the EU Member States to individualise social security rights including pension rights;
9. Calls on the Member States to properly design a minimum income scheme and to review their pension systems in terms of the societal gender roles, taking into account the higher life expectancy of women without by any means using it as a justification for sex-based discrimination, and the major pay differentials between men and women, which are reflected in the amount of the pensions granted, often pushing them below the poverty line, and to eliminate the gender pension gap;
10. Due to the fact, that differences between the pensions of women and men are consequences of the gender pay gap, asks the Commission to take decisive steps to close this gap;

11. Calls on the Member States to find ways to prevent female employment on the labour market being adversely affected by measures to support, evaluate or enhance the value of work in the home; calls, therefore, for the impact on society and female employment of measures to recognise work done in the home to be assessed, including by means of a costed calculation for pension purposes;
12. Stresses the need to develop a European employment strategy that encourages more women to participate in the labour market and that combats inequality in employment that has a gendered impact on the level of pension contributions and entitlements;
13. Calls on the Commission to initiate the procedure aimed at eliminating Article 5(2) of Directive 2004/113/EC which allows for discriminations against women on pension products;
14. Calls on the Commission to promote a European framework directive on minimum pensions which could define that every person from a certain age on, independent of the years he or she has worked is entitled to a minimum pension;
15. Urges the Commission and the Member States to obligate occupational and other supplementary pension providers to use gender-neutral mortality tables when calculating pension benefits so as to prevent women from being punished for their higher life expectancy with lower replacement rates than men;
16. Calls on the Commission and the EU Member States to carry out comprehensive impact assessments on all social security reforms, especially pension systems which may have a negative impact on women's employment and pensions rights, such as cuts in daycare and eldercare facilities, pension policies, etc.;
17. Calls on the Commission and the Member States to ensure that occupational and private pension schemes are not discriminatory against women and that they do not reinforce existing patterns that already put women at a disadvantage in terms of benefits and contributions; calls on the Commission to investigate possible discriminatory effects for women of Article 5 of Directive 2004/113/EC;
18. Welcomes the Commission Green Paper 'Towards adequate, sustainable and safe pension systems', on condition that the subsidiarity principle remains respected, and on condition that the Member States retain their responsibility and competence in regard to their respective pension policies and systems;
19. Welcomes the Commission's Green Paper 'Towards adequate, sustainable, and safe pension systems', on condition that EU-policies and possible new EU-regulations and directives guarantee that solidarity between the generations, solidarity within a particular generation, and solidarity between men and women is maintained;
20. Welcomes the Commission's Green Paper 'Towards adequate, sustainable, and safe pension systems', particularly the Commission's intention to improve the acquirement of pension rights for EU-citizens (temporarily) working in another Member State;
21. Calls on the Commission to take into consideration that the already existing possibilities

for acquiring (complementary) pensions, are often too complex and high-risk; therefore encourages the Commission to enable Member States to offer more transparency and security when choosing and/or committing to a certain option, in particular for women who would benefit from complementary pension saving;

22. Calls on the Commission not to proceed with new EU-demands on defining "adequate pensions" since such a definition will not take into account the fact that, as far as the availability and affordability of other services and benefits for older persons (such as housing, care, and public transport) are concerned, there are major differences between Member States

RESULT OF FINAL VOTE IN COMMITTEE

Date adopted	13.12.2010
Result of final vote	+: 20 -: 0 0: 2
Members present for the final vote	Regina Bastos, Edit Bauer, Andrea Češková, Marije Cornelissen, Silvia Costa, Tadeusz Cymański, Ilda Figueiredo, Teresa Jiménez-Becerril Barrio, Philippe Juvin, Barbara Matera, Elisabeth Morin-Chartier, Siiri Oviir, Raúl Romeva i Rueda, Marc Tarabella, Britta Thomsen, Anna Záborská
Substitute(s) present for the final vote	Izaskun Bilbao Barandica, Anne Delvaux, Cornelia Ernst, Christa Klauß, Mariya Nedelcheva, Sirpa Pietikäinen, Rovana Plumb

RESULT OF FINAL VOTE IN COMMITTEE

Date adopted	1.2.2011
Result of final vote	+: 40 -: 6 0: 1
Members present for the final vote	Regina Bastos, Edit Bauer, Philippe Boulland, Milan Cabrnock, David Casa, Alejandro Cercas, Ole Christensen, Sergio Gaetano Cofferati, Marije Cornelissen, Tadeusz Cymański, Frédéric Daerden, Karima Delli, Sari Essayah, Richard Falbr, Ilda Figueiredo, Thomas Händel, Marian Harkin, Roger Helmer, Nadja Hirsch, Stephen Hughes, Liisa Jaakonsaari, Danuta Jazłowiecka, Martin Kastler, Ádám Kósa, Jean Lambert, Veronica Lope Fontagné, Olle Ludvigsson, Elizabeth Lynne, Thomas Mann, Csaba Öry, Siiri Oviir, Rovana Plumb, Konstantinos Poupakis, Sylvana Rapti, Licia Ronzulli, Elisabeth Schroedter, Csaba Sógor, Jutta Steinruck, Traian Ungureanu
Substitute(s) present for the final vote	Georges Bach, Raffaele Baldassarre, Kinga Göncz, Gesine Meissner, Ria Oomen-Ruijten, Evelyn Regner, Dirk Sterckx, Gabriele Zimmer