WHITE PAPER
An Agenda for Adequate, Safe and Sustainable Pensions

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Follow-up to Green Paper consultation on pensions July-Nov 2010

Reflecting pensions becoming common concern due to economic & sovereign debt crisis (impact on short & long-term stability of public finances)

Taking in pensions in Annual Growth Surveys (AGS) 2011 & 2012 and Country Specific Recommendations (CSRs) 2011
White Paper - Key objectives

• WP suggests *how to maintain pensions adequate, sustainable and safe* given ageing & fiscal and socio-economic challenges

• EU to add value by playing its *full role* in pensions while respecting national competences (European Semester with CSRs, 6-pack, financial market regulation)

• WP *reinforces & underpins CSRs* from European Semester process while following up on GP consultation

• WP continues *holistic* approach to pensions
Demographic challenges accelerating NOW

Figure 1 Population change over the previous year, EU-27, 1996-2061
Employment challenges: too few aged 55-64 in work

Fig 2 Employment rates of older workers (55-64) in EU27, 2010
Importance of pensions

- Pensions are the **main income source** for around a *quarter of the EU's population* today (120 m)
- and younger Europeans will also come to rely on pensions later in their lives.
- Unless Europe delivers on decent pensions now and in the future, millions will face poverty in old age.

- Pensions represent a **large & rising share** of public expenditure: over 10% of GDP rising to 12 ½ % in 2060
- With spending ranging from 6% in Ireland to 15% in Italy countries are in rather different situations.
Challenges to future adequacy

Figure 2: Projected change in replacement rates of statutory and supplementary pension schemes between 2008 and 2048 (in pp.)

- Change in gross replacement rates between 2008-2048 owing to total Statutory pension schemes (percentage points change)
- Change in gross replacement rates between 2008-2048 owing to Occupational and other supplementary pension schemes (percentage points change)
To ensure adequate and sustainable pensions when people live longer and the proportion between those of active age to those of retirement age is quickly falling, Europeans will generally need to work more & longer and save more for their retirement while enhancing the safety and cost-effectiveness of such savings.
Two key routes to adequate pensions

• **Balancing better time spent in work and in retirement** by raising effective retirement ages and linking pensionable ages to longevity gains

• **Build extra entitlements** through larger, safer & more cost-effective complementary retirement savings
Despite the magnitude of demographic challenges, adequate pensions in the future can be possible.

The *joint effects* of
• encouraging and enabling more people to *work more and longer* and
• improving the prevalence, volume, performance and safety of *complementary retirement savings*

can give Member States the ability to continue to deliver pensions that are both adequate and sustainable while also safe.
White Paper – initiatives announced

• Collection of 20 EU initiatives ordered according to key themes:
  – Balancing time spent in work and retirement
  – Developing complementary private retirement savings
  – Enhancing the EU's monitoring tools on pensions and strengthening synergies across policy areas
White Paper – Gender emphasis

• Gender is an important issue in pensions, given women are more likely to be poor in retirement than men, that they live longer on average but typically retire earlier than men and that they are less likely to be covered by supplementary pensions.

• So addressing gender issues in pensions – and in the labour market given how this influences outcomes in retirement – is an important thread running through the White Paper.
8 Initiatives on Balancing work & retirement

• Enable women and men to work longer by calling on social partners to adapt work place and labour market practices and use the European Social Fund to bring older workers into work. Enabling people to work longer major focus of the European Year 2012 for Active Ageing.

• Support Member State pension reforms promote longer working lives, by linking pension age with life expectancy, restricting access to early retirement and closing the pension gap between women and men.
11 Initiatives on enhancing complementary pensions

• Develop complementary private retirement savings by encouraging social partners to develop workplace schemes and encouraging Member States to optimise tax and other incentives;

• Enhance the safety & cost-effectiveness of complementary pension schemes, including through a revision of the IORP Directive and better information for consumers on third pillar pension products;

• Make occupational pensions compatible with mobility, by legislation protecting pension rights of mobile workers and by promoting pension tracking services across the EU providing citizens with information about pension entitlements and projections of their income after retirement.
Gender thread running through WP initiatives - maybe 7 to highlight in particular

- Includes equalising pension ages, reducing the gender pension gap via e.g. promotion of equal pay, minimum pension entitlements, care credits, pension rights splitting at divorce

- Active ageing/more and longer working support for women (eg better reconciling work & care)

- Better opportunities for women to build complementary retirement savings
Thank you for your attention

More information & access to all documents:

http://ec.europa.eu/social/

http://ec.europa.eu/economy_finance/index_en.htm

http://ec.europa.eu/dgs/internal_market/index_en.htm
White Paper – list of content

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8 Initiatives on Balancing work & retirement

1. Monitor and encourage **pension and labour market reforms** (later pension take-up, equalisation of pensionable ages, linking pensionable ages to increases in life expectancy).

2. Multilateral surveillance of pension reforms and **financial support** to Member States preparing for reform.

3. Identify and recommend best practice in **reducing the gender gap** in pensions (e.g. promotion of equal pay, minimum pension entitlements, care credits, pension rights splitting at divorce).

4. **European Year 2012 on Active Ageing** and Solidarity between Generations (benefits of working longer and dissemination of good practices of age management in work places and labour markets).

5. Support for policy coordination and joint work on **enabling and encouraging older workers**, women in particular, to stay longer on the labour market. (gender specific obstacles to, and opportunities for, extended working lives, the development of end-of-career labour markets).

6. Call on the social partners to develop ways of **adapting work place and labour market practices** (career management notably regarding strenuous jobs, so as to facilitate longer working lives for women and men)

7. **European Social Fund** for supporting active and healthy ageing

8. Consult the social partners on how **unwarranted mandatory retirement ages** could be revised in collective agreements and national legislation.
11 Initiatives on developing complementary private retirement savings

9. Optimise efficiency and cost-effectiveness of tax and other incentives for private pension saving, including better targeting of incentives on individuals who would otherwise not build up adequate pensions. It will also offer financial support to Member States and social partners wishing to design cost-effective supplementary pension schemes, to help them benefit from the good practices and experiences of other countries.

10. The Commission will invite the SPC to review good practice with regard to individual pension statements with the aim of encouraging Member States to provide better information to individuals for their retirement planning and decisions on how much to save through supplementary pension schemes.

11. The Commission will, in 2012, present a legislative proposal to review the IORP directive aiming to further facilitate cross-border activity and modernise supervision, including the solvency requirements.

12. The Commission will, in 2012, take initiatives to ensure a more effective protection of workers’ occupational pension rights in the event of insolvency of their employer on the basis of Article 8 of Directive 2008/94/EC, taking into account a horizontal assessment of its implementation across the EU and ECJ jurisprudence.

13. The Commission will, by 2013, present an initiative aimed at raising the quality of third-pillar retirement products for women and men and improving consumer information and protection standards via voluntary codes and possibly an EU certification scheme for such products, building, where appropriate, on measures to improve information for consumers planned for 2012 on ‘packaged retail investment products’ (PRIPs).
11 Initiatives on developing complementary private retirement savings (cont.)

14. Working with stakeholders such as the social partners, the pension industry and advisory bodies such as the Pension Forum, the Advisory Committee on equal opportunities between women and men, the Commission will develop a code of good practice for occupational pension schemes (2nd pillar), addressing issues such as better coverage of employee, the payout phase, risk-sharing and mitigation, cost-effectiveness and shock absorption.

15. In 2012, the Commission will, in close cooperation with the Council and the European Parliament, resume work on a pension portability Directive setting minimum standards for the acquisition and preservation of supplementary pension rights. While promoting cross-border pension mobility for all occupations, the Commission will also pursue the on-going work on a pan-European pension fund for researchers.

16. The Commission will in 2012 assess the case for extending the scope of Regulation 883/2004/EC on the coordination of social security systems as regards certain occupational schemes.

17. The Commission will promote the development of pension tracking services allowing people to keep track of their pension entitlements acquired in different jobs. It will consider, in the context of the revision of the IORP directive and the proposal for a portability directive, how the provision of the required information for pensions tracking can be ensured, and it will support a pilot project on cross-border tracking.

18. The Commission will investigate whether the tax rules concerning (i) cross-border transfers of occupational pension capital and life insurance capital (ii) life insurance contributions paid to providers established elsewhere in the EU and (iii) cross-border investment returns of pension and life insurance providers, including their income from real estate and capital gains present discriminatory tax obstacles to cross-border mobility and cross-border investments; where necessary, it will initiate infringement procedures. The Commission will also discuss with Member States how to reduce the risk that cross-border pensions are subject to double taxation (or escape taxation altogether).

19. The Commission will explore the need for removing contract law-related obstacles to the design and distribution of life insurance products with savings/investment functions with the aim of facilitating the cross-border distribution of certain private pension products.
1 Initiative on enhancing EU monitoring

3. Enhancing the EU's monitoring tools on pensions and strengthening synergies across policy areas

20. The Commission, in cooperation with the EPC will release the 2012 Ageing Report, assessing the economic and budgetary impact of ageing, which will form the basis for a thorough assessment of the sustainability of public finances envisaged for release in the Commission's 2012 Sustainability Report. In cooperation with the SPC it will also prepare in 2012 a Pension Adequacy Report which can help Member States, in the context of the Platform against Poverty, to assess the adequacy of their pensions systems for women and men.
Gender thread running through WP initiatives
- maybe 7 to highlight in particular

1: equalising pension ages
3: Reduce gender gap in pensions
5: enabling and encouraging older female workers to stay longer in the labour market
7: ESF support for active ageing including reconciliation of work and family life
9: better targeting of incentives for supplementary pensions on individuals who would otherwise not build up adequate pensions
14: better occupational pensions
20: monitoring adequacy