

**Report on the consultation on the Green Paper:  
“Towards adequate sustainable and safe European pension systems”**

*Presentation by the Commission*

## **1. Results of the consultation and the debate triggered by the Green Paper**

The consultation received almost 1 700 responses, including more than 350 from Member State Governments, National Parliaments, business and trade union organisations, civil society and representatives of the pension industry. The EPSCO and the ECOFIN Councils welcomed the Green Paper. Contributions from the EP, EESC and CoR arrived in February 2011.

The responses from key stakeholders provide a rich texture of well presented positions on the European framework on pensions and pension issues in general, which help to shape the various policy options for consideration.

In addition, more than 100 meetings with stakeholders involving Commissioners Andor, Barnier and Rehn or their services have taken place around Europe. The consultation triggered contributions from all Member States. Importantly, it has caused national deliberations to be more informed by comparative European perspectives.

The bulk of **Member States** want efforts to concentrate on improving or deepening the existing European policy framework on pensions rather than extending it. Yet, most of them at the same time welcome reinforced economic policy coordination.

In the **European Parliament**, the ECON, IMCO and FEMM committees submitted their contribution to EMPL as the leading committee, and the final text adopted by the EP adequately reflected different views and has found very broad support. The report supports the holistic approach the Commission took in the Green Paper and calls for well-coordinated policies to tackle the intertwined issues of adequacy, sustainability and safety.

National pension-related events such as the adoption of significant pension reforms in Greece and France obviously provided a lively backdrop to the reflections on the Green Paper. Events in some Central European Member States also revealed the importance of the treatment of systemic pension reforms in the **Stability and Growth Pact**.

In the key area of **policy coordination** the consultation has been overtaken by events resulting from the sovereign debt crisis. The package on reinforced economic policy coordination and the references to specific measures to be taken to modernise pension systems in the Annual Growth Survey will entail important changes to the European framework for pensions and further impetus can be expected from the European Council.

## Responses on pension framework and retirement age

[Qs1-2] Responses to the Green Paper suggest that **improvements to the existing EU pensions framework** could be beneficial in ensuring the sustainability of public finances. Some respondents consider that the EU level could contribute with harmonised measures of pension indicators, facilitating an informed and straightforward discussion on relevant pension policy issues, and challenges at the EU level. Many underline that such additions should be developed within existing frameworks, which in general are deemed to be appropriate. The social OMC is seen as the right instrument to support MS efforts to strengthen adequacy of pensions.

[Qs3-4] A higher **effective retirement age** is widely recognised as necessary. While, according to some respondents, it should be determined by national policies with involvement of the social partners, others suggest that the pensionable age should evolve in line with life-expectancy and a few suggest taking into account the life (or healthy-life) expectancies of different professions. The EP recommends that priority be given to ensuring that employees work until the pensionable age. Numerous respondents underline that pension reforms should be coupled with active labour market policies, lifelong learning opportunities, effective social security and health care systems, and improvement of working conditions. Linkages with many elements of the Europe 2020 strategy are identified, including the need for greater labour market participation and the impact of pension policy on poverty rates. The EP suggests incorporating the holistic objectives of the Green Paper into the Europe 2020 Strategy.

[Q14] Respondents recognized a very important role for the EU in **policy coordination** of pension policies by facilitating surveillance, coordination and mutual learning between the Member States. The existing framework of the OMC, the Pension Forum and more broadly the SGP and the Europe 2020 strategy was seen as largely sufficient. But a deepening of the existing framework, for example through closer cooperation between the EPC and the SPC would be important. The EP thought a European Pensions Platform involving representatives of EU institutions along with all stakeholders would be helpful, and that, in order to avoid overlap, account should be taken of the existing "Pensions Forum".

## Responses to regulation-related questions

[Q5] Most respondents were in favour of reviewing the **IORP Directive** in order to clarify legal uncertainties related to cross-border activity and offered suggestions for how this could be done.

[Qs6-7] There was universal support for removing any obstacles to mobility caused by pension rules, but less agreement on what this should mean in practical action. Most respondents who addressed the **co-ordination of social security** systems under Regulation 883/2004 felt that the co-ordination worked well and that there was no need either to change this regulation or to expand its scope.

Nearly all who addressed **portability of supplementary pensions** supported an EU-level initiative. The Regulation 883-type co-ordination approach was felt to be unsuitable for supplementary pension schemes and the majority were strongly against the idea of considering transfers issues again.

The acquisition and preservation approach pursued for the last few years attracted wide support including from the EP, though others remained firmly opposed. The notion of a tracking service was widely welcomed, though with an emphasis on national level services, at least at first.

[Q8] Regarding **funded pension schemes and products**, employees, pensioners and insurance companies saw a need to review EU legislation to ensure consistency in regulation and supervision. Employers and pension funds were less open to further EU initiatives.

[Q9] Concerning ways to ensure **balance between risk, security and affordability**, there was a feeling that the EU should avoid binding regulation and should rather encourage relevant national regulation or a non-binding EU code (recommendation).

[Q10] The issue of a **solvency regime for pension funds** was mostly addressed by employers associations, pension funds and service providers, with little input from members and beneficiaries. Most respondents were supportive of risk-based supervision, suggesting that substance should be favoured over form. The right approach needs to focus on the nature and duration of pension liabilities, taking account of the additional risk-mitigating security mechanisms available to pension funds. The EP considers that (i) financial markets can function efficiently only when there is confidence and trust wherefore solid prudential rules for financial institutions, including IORPs, are required; and that (ii) the qualitative elements of Solvency II form a valuable starting point for enhancing the supervision of IORPs.

[Q11] Respondents agree on the need for **protection against insolvency of sponsoring employers**, but only the EP and a minority want further EU legislation, as this, according to the majority, is best secured at national level. The implementation of existing EU legislation and effectiveness of national measures should be analyzed before envisaging changes to the EU legislative framework.

[Q12] On modernization of **minimum disclosure requirements for pension products**, respondents including the EP stressed the need for clear and comparable information and most considered that there is a potential for EU value added.

[Q13] Though recognising the importance of good **default options** about participation and investment in pension design, few respondents saw the need or even the technical possibility for developing a common approach at EU level.

## 2. Next Steps

A '**White Paper on Pensions**' is scheduled for the third quarter of 2011 and the review of the IORP Directive for the fourth quarter. On the basis of responses and the holistic approach in the Green Paper, the White Paper will identify the most important measures to be taken forward.

In the **Annual Growth Survey** the Commission issued clear messages for guidance of Member States on pension reforms: raise the retirement age and link it to longevity growth; reduce early retirement and raise incentives to employ older workers; promote supplementary private savings to enhance retirement incomes; and beware of the impact of pension spending on the long term sustainability and adequacy of public finances.

In the bi-lateral contacts with Member States on the **National Reform Programmes** the Commission will follow through on the AGS messages in a way relevant to individual Member States while striking an appropriate balance between the key issues of adequacy, sustainability and safety as advocated in the Green Paper.

**Question for discussion:**

*How can EPSCO support the work to deepen and complete the European framework for pensions and underpin the efforts in Europe 2020 to help Member States raise effective retirement ages and thereby improve both the adequacy and sustainability of their pension systems?*