

**Resolution****of the Bundesrat****Commission Green Paper towards adequate, sustainable and safe European pension systems****COM(2010) 365 final**

At its 875th meeting on 15 October 2010, under the terms of Sections 3 and 5 of the Act on Cooperation between the Federation and the Länder in European Union Affairs (EUZBLG), the Bundesrat adopted the following opinion:

1. The Bundesrat welcomes the Commission's Green Paper and the debate which, against the backdrop of current demographic trends and the sustainability of public finances, it aims to launch on adequate, sustainable and safe European pension systems. The issues raised by the Commission in its Green Paper are of key importance in relation to the core objectives established under the Europe 2020 Strategy of achieving higher employment rates and reducing the number of people at risk of poverty. The Bundesrat also takes the view that in designing pension systems, financial and economic policy aims are not the only considerations to be made. In this respect, it welcomes the Green Paper's integral approach where the importance of social protection is also taken into account.
2. The Bundesrat concurs with the Commission's statement that competence for the various national pension systems lies solely with the Member States, and that the prerogatives of the social partners are not at issue. The autonomy and diversity of the Member States' existing pension systems must be safeguarded. In pursuing the aim of harmonising national systems referred to in the Commission's Green Paper, the EU must not be allowed to exceed its powers. Nor do the repercussions of the economic and financial crisis on the labour market legitimise those measures proposed by the Commission which fall under the Member States' competence.
3. The Bundesrat agrees with the Commission that the pension systems of some Member States must not impose a burden on their public finances which could necessitate compensation and support measures by the other Member States. It therefore welcomes the Commission's wish to support Member States in their efforts to achieve

sustainable financing of their pension systems, and considers an exchange at European level to be of real added value.

4. The Bundesrat points out that major reforms have already been carried out in Germany to secure reliable pension provision. For instance, the legislation in force provides that for the standard retirement pension, the pensionable age will gradually rise to 67 between 2012 and 2029. In calculating pension adjustments, moreover, demographic trends are taken into account, resulting in lower adjustments and thereby also helping to meet statutory targets in terms of contribution rates and guaranteed levels. In addition, a funded supplement to the State pension is promoted through allowances and tax deductions. Thus, no binding EU targets are required in relation to pension provision.
5. The Bundesrat underlines that in accordance with the division of responsibilities and the subsidiarity principle it is solely for the Member States to adopt rules ensuring adequate retirement income. It takes the view that due to the considerable variations in the standard of living between Member States and the large differences between their social security systems, an EU-wide definition of what constitutes adequate retirement income is not called for.
6. The Bundesrat notes that in Germany, pensions under the statutory pension insurance scheme will continue to have a salary replacement function, so that adequate retirement income is ensured in accordance with the corresponding insurance record in each individual case. Moreover, by adding income from private or occupational pension schemes it is possible to reach total income allowing one's habitual standard of living to be maintained in old age. The Bundesrat also recalls that since the beginning of 2003, a basic subsistence income for the elderly and for persons with reduced earning capacity helps ensure a minimum level of income in Germany. This is a special tax-funded and means-tested social-assistance benefit aiming to secure the minimum level of subsistence in socio-cultural terms. To be eligible, persons found to be in need must have reached the statutory retirement age, or the age of 18 in the case of lasting and significantly reduced capacity to work.
7. The Bundesrat opposes the proposal in the Green Paper for an automatic adjustment mechanism related to pensionable age. The EU lacks competence to establish what should be the pensionable age. Furthermore, although older workers today are in a far better state of health than earlier generations, it is not clear that it will continue to improve with the rise in life expectancy. For this and other reasons the Federal Government has been tasked by the legislative bodies to report, every four years from 2010 onwards, on developments regarding the employment of older workers and to assess whether, in view of the evolution of labour market conditions and older workers' economic and social situation, it still appears appropriate to raise the statutory retirement age and whether the legislation in force can be maintained. This would seem a more suitable method to reach appropriate decisions than an automatic adaptation mechanism.

8. The Bundesrat takes the view that to acquire and improve labour market employability, thereby advancing the prospects of a long working life, education and training are essential. What is more, the availability of skilled labour is a major precondition for growth and prosperity as well as a key location factor in the face of international competition.
9. Against the background of demographic ageing, care must be taken to adapt workplaces and working conditions to the abilities of older workers in particular. Similarly, in the current debate more emphasis should be placed on the positive aspects and prospects of a longer working life. In this regard, the growing skills shortage is likely to result in higher esteem for the qualities of older workers. The Bundesrat shares the view outlined in the Green Paper that the adaptation of the pensionable age will depend on a number of factors, including the determination with which prevention and health and safety standards are applied throughout working life, and the use of medical or professional rehabilitation to maintain or recover health or professional capacity.
10. A critical view should be taken of any EU-wide adaptation of existing statistics or the introduction of additional statistics on pensions. Given the different methods employed to collect statistical data on pensions within Germany, it seems highly unlikely that data on pension provision and benefit requirements in the Member States could be made comparable.

More specifically, the Bundesrat does not see any need to develop an EU methodology for pension statistics. Introducing additional statistics and surveys cannot be justified on the grounds that this could yield data on the distribution of wealth among pensioners which could help firms optimise their sales.

There is a risk that if such measures were implemented, considerable costs would be incurred to which the Federation and the Länder would have to contribute. It should also be noted that the OECD, in cooperation with the EU and the World Bank, has already developed an online database which includes various indicators pertaining to the pension systems of all OECD and EU Member States. This is a further reason to question the added value of introducing additional EU statistics on pensions.

11. Nor does the Bundesrat see any need for minimum standards for the acquisition, preservation and transferability of supplementary pension rights as proposed by the Commission. As regards the Commission's stated aim of improving the general conditions for cross-border worker mobility also in respect of supplementary pension rights, the Bundesrat is of the opinion that this would justify changes only to the extent that those changes reflect best practices of national pension systems. Accordingly, the Bundesrat firmly rejects any new debate on pension portability. It also rejects the proposal for an EU-level tracking system for pension rights of all sorts, since this would entail a considerable administrative burden and appears disproportionate in relation to the number of insured persons concerned.
12. The Bundesrat recalls that in practically all EU Member States, occupational pensions are essentially provided by the employer on a voluntary basis. Such schemes therefore

depend on attractive conditions, whereby the interests of both the employer and the employees need to be taken into consideration. Over-regulation in this domain has negative effects. The Bundesrat therefore expects the Commission to proceed with caution, keeping in mind the particularities of occupational pension schemes in order to keep costs to firms within reasonable limits and not to devalue or jeopardise this additional source of pension provision.

13. The Bundesrat notes that for employers, a main motive for offering occupational pensions is the possibility to reward loyalty towards the firm. This wish on part of employers is an aspect which must not be neglected in the current debate.
14. The Bundesrat points out that occupational pensions in Germany enjoy a large measure of protection. With regard to pension funds, defined as institutions of occupational retirement provision within the meaning of the IORP Directive, which in Germany include *Pensionskassen* and pension providers referred to as pension funds, the Bundesrat notes that e.g. the *Pensionskassen* are subject to insurance supervision. Further, German pension funds are non-profit-making outfits whose sponsoring undertakings carry not only the administrative charges but also subsidiary liability, and the undertakings concerned pay significant compulsory insolvency insurance contributions to the Pension Insurance Association. In view of this structure the Bundesrat does not see any need for further regulation at EU level.
15. In view of the need to promote voluntary supplementary pension provision, the Bundesrat shares the assessment that for people to be able to make informed decisions in this regard, it is essential to provide as much transparency and information as possible. Lack of knowledge increases not only the level of uncertainty but also the risk of ending up with insufficient retirement income. Thus it is in each Member State's own interest to put in place conditions that encourage citizens to assume personal responsibility in providing for their old age. Examples in Germany include educational initiatives such as "*Altersvorsorge macht Schule*" ([www.altersvorsorge-macht-schule.de](http://www.altersvorsorge-macht-schule.de)), "*PROSA - Pro Sicherheit im Alter*" ([www.prosa-bw.de](http://www.prosa-bw.de)), *Altersvorsorge Regional* ([www.masgff.rlp.de/sozialversicherungen/Alterssicherung/altersvorsorgeregional](http://www.masgff.rlp.de/sozialversicherungen/Alterssicherung/altersvorsorgeregional)) and information portals [www.ihre-vorsorge.de](http://www.ihre-vorsorge.de) and [www.infonetz-altersvorsorge.de](http://www.infonetz-altersvorsorge.de).
16. The Bundesrat is sending this opinion directly to the Commission.