



EUROPEAN COMMISSION

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Dear President,

The Commission would like to thank the Bundesrat for its Opinion on the White Paper "An Agenda for adequate, safe and sustainable pensions {COM(2012) 55 final}, and apologises for the delay in replying.

The Commission agrees that social protection is to be considered more than just expenditure in that it may serve as a social investment or an automatic stabilizer which, in end effect, spares costs ("Kostensparender Stabilitätsfaktor").

The Commission shares the view that pay-as-you-go public pension schemes will continue to be the main element in pension provision in Europe with pre-funded private pensions in a complementary role.

The Commission furthermore concurs that if pension reforms are to have the desired effect on retirement practices, they need to be underpinned by changes in the labour markets, more concretely in the human resources management practices at the work places, so as to encourage and enable women and men to work longer. However, the Commission believes that a rise in the statutory retirement age can initiate the process of changes leading to higher effective retirement ages. Upward adjustment of the statutory pension age sends important signals to all stakeholders about the need to adapt the pension promise to demographic changes.

The Commission has therefore proposed that the Council addresses specific recommendations to a number of Member States, calling on them to raise the statutory retirement age and to link it to increases in life expectancy. In its conclusions of 28-29 June, the Council endorsed such country specific recommendations for 11 Member States. The Commission considers that this linking of retirement ages to gains in life expectancy is essential for the future sustainability of pensions and public finances. As such, it would contribute to limiting the risk of adverse financial consequences of unsound public finances on other Member States. Moreover, it would allow for enhancing retirement incomes through longer periods of pension contributions and the accrual of higher pension entitlements. Raising the pensionable age as longevity grows could allow to avoid lowering benefits or raising contributions as is the case in other mechanisms to adapt pension systems in view of population ageing.

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Still, as highlighted in the White Paper, the Commission is fully attentive to the fact that workers who entered the labour market at very young ages and worked in arduous occupations may not be able to prolong their working lives to the same extent as most workers. Special arrangements for such categories of workers may be called for.

The Commission is well aware of the concerns about the potential impact of the announced revision of the directive on Institutions for Occupational Retirement Provision (IORP) on occupational pension schemes, in Germany and several other EU Member States where such schemes are most developed. The Commission does not intend to apply Solvency II standards to such institutions. The Commission, with the support of the European Insurance and Occupational Pensions Authority (EIOPA), is developing a risk-based supervisory regime that aims to take into account the specificities of IORPs. The legislative proposal will be accompanied by an impact assessment report.

As for the portability of supplementary pensions, the Commission notes that in its conclusions of 28-29 June 2012 the European Council called for a strengthening of the acquisition and preservation of cross-border pension rights and other social security rights for EU workers. The Commission has welcomed the intention of the Cyprus Presidency of the EU to resume work on the Commission's legislative proposal on the portability of occupational pension rights. The Commission is, however, aware of the voluntary nature of occupational schemes in many Member States and of the risk that employers may withdraw their support to such schemes if costs are substantially raised or regulations become too complicated. This risk will certainly be taken into account in the legislative process.

The Commission hopes that these explanations address the concerns expressed by the Bundesrat and looks forward to continuing our political dialogue in the future.

Yours faithfully,

*Maroš Šefčovič
Vice-President*