

# ITALY'S CHAMBER OF DEPUTIES

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*COMMITTEE ON PUBLIC AND PRIVATE SECTOR EMPLOYMENT*

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**FINAL DOCUMENT PURSUANT TO RULE 127  
OF THE RULES OF PROCEDURE OF THE ITALIAN CHAMBER OF DEPUTIES,  
ON:**

COM(2010)365 final  
Green Paper: "Towards adequate, sustainable and safe European pension  
systems"

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*Approved on 10 November 2010*

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The Committee on Private and Public Sector Employment of Italy's Chamber of  
Deputies

Having considered,

the Green Paper “Towards adequate, sustainable and safe European pension systems” (COM(2010)365 final) of 7 July 2010, pursuant to Rule 127 of the Rules of Procedure of the Italian Chamber of Deputies,

Taking into account, in particular:

the conclusions of the Employment and Social Affairs Council held on 7 June 2010 on active ageing;

The “European Union strategy for growth and jobs (Europe 2020)”, adopted by the 17 June 2010 European Council, and the relevant guidelines for the Member States’ employment policies approved by the Council on 21 October, 2010;

The proposal for a decision of the European Parliament and of the Council on the European Year for Active Ageing 2012 (COM(2010)462 final) of 6 September 2010;

The Gender Equality Strategy 2010-2015 (COM(2010)491) and the resolution of the European Parliament of 19 October 2010 on precarious women workers;

The resolution of the European Parliament of 20 October 2010 on “The Role of minimum income in combating poverty and promoting an inclusive society in Europe”, which, *inter alia*, requires retirement pensions to provide a decent pension to people who have worked all their life;

Recommendation 92/441/EEC, “recognising the basic right of a person to sufficient resources and services to live in a manner compatible with human dignity”, and insisting that the main purpose of income support systems should be to draw people out of poverty, enabling them to live with dignity, which includes paying them decent invalidity and retirement pensions;

The two complementary initiatives of the European Commission: the “2010 Report on Citizenship” (COM(2010) 603 final) of 27 October 2010, and the Communication: “Towards a Single Market Act” (COM(2010)608 final) of 27 October 2010, to overcome the existing fragmentation of the European Union in matters relating strictly to citizens and in particular to the social economy where, in particular, one of the 50 actions proposed in this Communication includes reviewing the directive on managing and monitoring pension funds (proposal no. 31), and the possibility that further proposals may emerge from the debate on the document, such as proposals for the removal of obstacles to mobility, including tax measures (proposal no. 42);

The conclusions of the European Council of 28-29 October, 2010 approving the Report by the Task Force on Economic Governance, and urging the EU Council to work more expeditiously on examining the impact of pension systems reform on the implementation of the stability and growth pact, and to report back to the December European Council, acknowledging the importance of systemic

pension reform, and indicating that equal conditions must be guaranteed under the stability and growth pact;

The considerations set out in the “*Ageing Report 2009 (Economic and budgetary projections for the EU-27 Member States - 2008-2060)*”;

And taking into account:

The important evidence obtained by the Committee on Public and Private Sector Employment in the course of hearings of representatives of the competent institutions and the interested social partners, which were not only useful sources of knowledge and provided data on the national situation but also provided an opportunity for a more thorough reflection on the aspects identified at the national level;

The need for this final document to be forwarded to the European Parliament, the Council and the European Commission as part of the political dialogue, together with the opinion adopted by the Committee on EU Policies, in response to the questions put out for the public consultation which will close on 15 November;

Expresses the following remarks:

*In general terms (questions 1 to 4, and 14):*

a) It is certainly important and desirable that the European Union should adopt a more effective and efficient policy-setting role than has been the case hitherto, however significant, with the experience of the Open Coordination Method, based essentially on moral suasion, since the area of social security falls within the competence of the individual Member States. The indications issued by the EU to the Member States should relate both to the adequacy of benefits (deriving from the combination of pay-as-you-go pension schemes and fully-funded private schemes), and the sustainability of the systems, since this is the necessary (albeit not sufficient) condition for successfully addressing the challenges of the demographic and labour market changes which – especially in the light of the economic and financial crisis – are causing so much concern to the Union, as evidenced not only by the 2009 Ageing Report but also the Green Paper;

b) Without prejudice to the prerogatives and competences of individual Member States for adopting measures to reorganise and modernise the pension systems according to the different situations as they exist today, it would be a useful opportunity for demonstrating transparency at the level of the Union to create a "common platform" to promote the same strategic goals, by fully exploiting the social concertation method, and pursue effective intergenerational solidarity. It would also make it possible to improve the coordination of the debate and exchange of information on this matter, by simultaneously involving the main players concerned with drawing up pension policies (governments, social partners, pension fund managers, stakeholders),

avoiding the duplication of structures and efforts while at the same time rationalising and exploiting the potential synergies between what already exists, and encouraging the introduction of new ones;

c) With regard to the adequacy of benefits, in addition to tax measures, consideration must also be given to the appropriateness and usefulness of forms of welfare solidarity (basic pension, supplementing minimum pensions or incomes) – when the contributions paid are insufficient to provide a "decent" pension and an "adequate" replacement rate in respect of the particular features of individual Member States – above all for those whose working life has been discontinuous, precarious or seasonal. It would at all events be useful for homogeneous criteria to be laid down at the European level, agreed by all the Member States, for countries to establish nationally minimum levels of adequacy; in this connection, in the course of the hearings held by the Committee on Public and Private Sector Employment a replacement rate of at least 60% had been broached in relation to the 2007 "Welfare Protocol";

d) Similarly, the question of maintaining the value of the pension over time must also be examined (in terms of the initial replacement rate). This cannot be set purely in terms of maintaining purchasing power, but must in some way reflect increases made in the country's overall productivity by linking it to the dynamics of remunerations of the labour force;

e) The role entrusted by the Green Paper to private pension systems and occupational pension funds acknowledges the strategic role which the second pillar can and must play in any reform of this sector and recognises the need for a favourable tax treatment. A twin pillar system, with the appropriate involvement of the social partners in defining and managing it – precisely because it 'spreads the risk' over public finances and the financial markets – is certainly one of the strategic responses that can be made to attain the objectives of ensuring the sustainability and adequacy of the pension systems;

f) The raising of the retirement age was one of the policy indications that was already consistent with the Lisbon Strategy which, for the purposes of achieving the 2010 employment levels, had envisaged a 50% employment rate for those aged between 55 and 64. The 2002 Barcelona Council reconciled the aspects relating to the labour market with aspects referring to the pension systems (and redressing the balance in view of the constant and progressive increase in life expectancy), envisaging measures to raise the average retirement age by five years by 2010.

The reforms implemented thus far have certainly delayed retirement on the part of men and women workers, but we are still far from achieving that target, which has been reformulated as part of the "Europe 2020" strategy. It would be useful if the EU could indicate mechanisms for the automatic adjustment of the retirement age to keep pace with demographic dynamics. In order to guarantee the sustainability and adequacy of pension systems it still remains essential to achieve adequate economic growth, in order to increase employment levels, particularly for young people;

g) With regard to the European Commission proposal to institute automatic mechanisms for linking the adjustment of the retirement age to life expectancy, we note that the Italian Parliament has already adopted a similar measure, which will become effective in 2015;

h) The Committee also considers it necessary to note the appropriateness of introducing flexible pension mechanisms – based on an adequate minimum threshold in terms of demographic trends – which will be able to respond to different individual choices, obviously with the value of the pension matching the amount of contributions paid throughout a full working life. The successful achievement of extending the active working life of elderly workers cannot depend only on introducing new and more rigorous pension rules, but also requires an adequate response in terms of contractual agreements on working hours, or vocational training policies and the organisation of the workplace, in order to make it possible for elderly people to be effectively and profitably employed, by removing or attenuating, above all else, the effects of any discriminatory legislation (by adopting partial and gradual retirement measures as younger people are taken into work), on the basis of age on the labour market, usually defined by attenuating or even excluding any form of legal protection against the dismissal of workers who have already attained their pension right. Early-retirement measures should also be provided for workers with stressful jobs, together with particular forms of disability and invalidity protection;

i) The Committee can certainly agree with identifying facilities for companies to increase forms of work facilitating the gradual transition from active life to retirement;

j) It is also necessary for measures to raise the retirement age to be balanced against policies to protect the specific features of female employment, awarding women workers contribution credits during maternity leave and for their work as carers at home, within the framework of a rebalancing of the couple's respective roles, which can also be done by instituting mandatory paternity leave following the recent directives of the European Union;

k) In order to make it possible to achieve the objective of raising employment rate to 75% (as indicated in the "Europe 2020" strategy), it is becoming ever more necessary to implement an economic policy designed to strengthen growth prospects. In order to guarantee greater comprehensiveness and consistency to the existing instruments, it will be necessary to adopt an integrated approach within the European employment policy framework, considering that the stability of the pension systems is an indicator of the sustainability of macroeconomic equilibria;

l) Within the European framework, the EU could help the Member States to monitor life expectancy-linked changes, considering all the variables that affect this, which are not only demographic. The EU could be the place in which to share our common histories and experiences in order to establish a sound system taking account both of the actuarial variables as well as the need for solidarity and social protection, particularly for the weakest parties on the labour market. One aspect which it would be appropriate to take into consideration is the need for the EU to issue practical indications to the Member States, after acquiring useful and comparable data, in order to quantify the concepts of sustainability and adequacy, considering that there may be significant differences between all the various pension systems.

*In relation to the more specific questions regarding supplementary pension systems:*

- Cross-border pension fund operations (question no. 5). It is certainly necessary to favour worker mobility within the Union; pension funds' cross-border operations can contribute to this, paying particular attention to the need to avoid opportunistic behaviour. This is precisely one of the purposes of the current European directive on occupational pension funds, but it only recently became effective, and it is still too early to fully appreciate its adequacy in this respect. We therefore consider it appropriate to continue further assessing this directive, before thinking of amending it, which will also make it possible to better appreciate what amendments are needed.
- Pension mobility (questions 6 and 7). The problem of cross-border pension mobility (that is, pension portability when a worker lives outside his/her home State) arises above all in the case of defined-benefit plans, of which there are few in Italy, limited to cases predating the pension reforms, because in relation to the new pension arrangements defined-contribution plans have been opted for. It would certainly be useful to guarantee that the supplementary pension rights of workers intending to live elsewhere in the Union would not be affected (for the basic pension, this issue has essentially been solved).

It would therefore be appropriate to overcome the restrictions on the portability of amounts paid into occupational pension schemes when changing jobs. This has already been done to a large extent in Italy. With regard to Europe, if it is not possible to guarantee adequate portability of the amounts paid, it should be possible to think of some form of totalization, to ensure that no enrolment periods and payments are lost, as is still the case today in certain countries. One can certainly go along with the idea of establishing a single and virtual website to provide reliable information on national legislation regarding labour law and social security to founders of pension funds intending to operate on a cross-border basis, if they so wish.

- Expanding the scope of the directive (question no. 8). The present IORP Directive only governs autonomous occupational funds but not so called internal pension funds, including pension trust funds, nor purely individual pension plans. Italy is particularly interested in expanding the scope of the Directive to provide better protection to the workers concerned, particularly to include such schemes as Individual Pension Plans, private open-ended funds, and pension funds with guaranteed payouts, also taking account of the Italian model which lays down, as far as possible, standard rules governing all the existing different types of pension plans, in order to make them comparable and make it possible to develop a broader and more competitive pension services market.
- Defined contribution pension funds (question 9). The Directive does not lay down any specific rules for these funds, which are the most important in the Italian case. But it might be useful to have codes of good practice applicable throughout Europe on such issues as investment risk management and control. In order to increase the possibility of achieving adequate yields and returns, while at the same time limiting investment risk (which is ultimately borne by the members in defined contribution pension funds), the funds ought to adopt life-cycle type schemes, which enable members to have their pension position reallocated automatically from securities to more prudential investments. Such schemes could be adopted as a default solution could be

used as a benchmark for fund members, notwithstanding their freedom to opt for different arrangements. An effective system of protection also needs robust oversight, and instruments linking growth and profitability expectations with effective risk containment, drawing a distinction between financial investment and saving for a pension, i.e. a social, rather than a financial, need. At the European Union level it might be useful to examine different types of risk-reduction measures, and so called institutional investments directed at infrastructure projects that can make the funds an engine of development and modernisation not only of individual Member States but above all the EU infrastructure system.

- The solvency of defined benefit funds (questions 10 and 11). The Committee believes that it might be useful and appropriate to adopt a different and simpler specific pension fund model than the one used by insurance companies and banks. It therefore welcomes the establishment of a system of guarantee funds as indicated by the European Union. It would also be desirable that the EU specify the scope of article 8 of directive 80/987 on employer insolvency, in view of the case law of the European Court of Justice, and that the Commission should monitor the measures adopted by the Member States so as to ensure that the directive is duly transposed and properly implemented.

- Information on pension products ( question no. 12). It is certainly desirable for the minimum information requirements to be increased in any way at all. The distinction between pension fund investment and financial investment should be retained. The Green Paper refers to financial education, but it would also be appropriate to focus on pension education considering the needs expressed by men and women workers alike to know not only the way the statutory retirement pension scheme operates, but also the supplementary pension system and to be able to manage their own pension position.

The need for an adequate transparency model is one of the fundamental parts of an efficient system for protecting members of a pension scheme, whether basic or supplementary, but excessive paperwork should be avoided, because this only burdens down the pension fund operations, without improving the members' knowledge; EU-level initiatives to identify and promote best practices could prove valuable in this respect.

- “Default” options (question no.13). As the Committee noted in its reply to question no.9, it considers it appropriate to have common guidelines aimed at applying to members of pension schemes those solutions which are, in principle, the most convenient for them – based on age and income in each case – with regard to becoming members of pension funds, contributions and types of investment. This does not prevent them from deciding otherwise whenever they consider that the default solution (applying if they do not decide otherwise) is inadequate.

One objective that the EU should pursue, by joint agreement with the national governments, is to sensitise the members to the issues of population ageing and its repercussions on the pension systems, in order to encourage workers, particularly the younger generation, to take the right decisions.

*At the national level:*

The Committee stresses the need to continue reflecting on the distinctive features of the Italian pension system, which – also in the light of the complex fact-finding exercise carried out by the 11th Committee – appeared to be more sensitive partly for the purposes of establishing Italy's position in the preparatory stages of the relevant initiatives already announced by the European Commission in the Legislative and Work Programme for 2010 (COM(2010)135), referring in particular to the presentation of the White Paper, which will provide structural solutions and make recommendations on pension systems and to the Communication mentioned earlier "Towards a Single Market Act". To this end, the Italian government should take up the invitation to the Member States to make their contribution in relation to these proposals, bearing in mind what has emerged from the examination of this document, and keep Parliament constantly informed of progress with the EU-level negotiations to establish initiatives consistent with the aforementioned EU documents.