COMMUNICATION FROM THE COMMISSION TO THE COUNCIL, THE EUROPEAN PARLIAMENT AND THE ECONOMIC AND SOCIAL COMMITTEE

Supporting national strategies for safe and sustainable pensions through an integrated approach
1. **SAFE AND SUSTAINABLE PENSIONS: A MAJOR CHALLENGE IN AN AGEING SOCIETY**

The pension systems of the Member States, through different combinations of the three pillars (statutory social security, occupational and personal pension schemes) currently offer an unprecedented degree of prosperity and economic independence to older people in the European Union. However, as the Commission pointed out in its communication of 11 October 2000, "the prospect of population ageing and the retirement of the ‘baby boomer’ generation represents a major challenge to this historic achievement. Population ageing will be on such a scale that, in the absence of appropriate reforms, it risks undermining the European social model as well as economic growth and stability in the European Union."

The old-age dependency ratio will start rising rapidly in the next decade and double by the year 2050 compared to today. This is mainly the result of the post-war baby-boom generation reaching retirement age, which adds to the effects of continued low fertility rates and increases in life expectancy. Although the ageing of the population is the result of positive evolutions in the patterns of health care systems and thus constitutes in itself a positive development, the rise in the number of older people will be such that the increase in the demographic old-age dependency ratio can neither be halted by a sudden increase in fertility nor by any realistic level of immigration. Immigration can, however, make a significant contribution to stabilising total population and employment figures.

The modernisation of pension systems is therefore high on the political agenda in all Member States. National policy makers – politicians, government officials, the social partners - remain responsible for pension systems and have to prepare for the impact of ageing on their pension systems while continuing the adaptation of these systems to reflect societal change. Introducing the policies that can make pension systems future-proof takes time. They often require a change in attitudes, lengthy consensus-building processes and the respect of citizens’ legitimate expectations about their own pension entitlements. This is why it is important to develop the necessary policy strategies now, and many Member States have already started their reform processes.

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The EU supports such efforts through action in a number of different policy areas (see appendix 1). However, there is increasing awareness of the need to get a complete picture of the future challenges to pension systems and the action that needs to be taken to meet these challenges. A good understanding of what other Member States are doing to secure the future of their pension systems is extremely valuable for national policy makers even though successful policy measures in one country may not be directly transferable to another one. The Commission proposed already in its communication on "A Concerted Strategy for Modernising Social Protection" (COM(99)347 final) of 14 July 1999 to establish a deepened co-operation among Member States which would focus on the issue of safe and sustainable pensions as one of four priority issues.2

A wide debate on this issue was launched and different European Councils as well as various Committees have looked several times at the question of safe and sustainable pensions (see appendix 2). Most recently, the Göteborg European Council in June 2001 stressed the need for a comprehensive approach in order to meet the challenges of an ageing society and endorsed the three broad principles for securing the long-term sustainability of pension systems:3

- to safeguard the capacity of pension systems to meet their social aims of providing safe and adequate incomes to retired persons and their dependants and ensuring, in combination with health and long-term care systems, decent living conditions for all elderly persons;

- to ensure the financial sustainability of pension systems, so that the future impact of ageing does not jeopardise the long-term sustainability of public finances or the ability to meet fundamental goals of budgetary policy (in terms of overall tax burdens or spending priorities) and does not lead to an unfair sharing of resources between generations;

- to enhance the ability of pension systems to respond to the changing needs of society and individuals, thereby contributing to enhanced labour market flexibility, equal opportunities for men and women with regard to employment and social protection and a better adaptation of pension systems to individual needs.

The present communication responds to the need for clear and integrated strategies to cope with the challenges of an ageing society for pension systems. Such strategies should not only focus on pension schemes belonging to the first pillar as the two other pillars will have an important role to play in achieving the overall objectives of pension systems.4

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2 The four objectives are: to make work pay and to provide secure income; to make pensions safe and pension systems sustainable; to promote social inclusion; and to ensure high quality and sustainable health care.

3 These principles are based on the report by the Social Protection Committee on Adequate and Sustainable Pensions (June 2001).

4 In this communication, ‘pension system’ refers to the complete set of arrangements for the provision of pensions (‘pension schemes’). As benefits in the event of invalidity and
The appropriate approach at EU-level is to combine the existing policy processes that are relevant for the future of pension systems with the *open method of co-ordination* in a way that does not change the respective responsibilities of policy makers at European and national level. The aim is to offer an integrated framework for the exchange of information on national strategies for securing adequate and sustainable pension provision in the long run.

The *open method of co-ordination* involves setting common objectives, translating these objectives into national policy strategies and, finally, as part of a mutual learning process, periodic monitoring on the basis *inter alia* of commonly agreed and defined indicators. This method has a number of advantages:

- The common objectives will help Member States focus on necessary reforms and make pensions policy more transparent, thus allowing citizens to adapt to foreseeable changes.

- They should also contribute to a consensus on necessary reforms, thereby strengthening public confidence in the future of pension systems.

- The exchange of experience, based on good practice and innovative approaches, will foster mutual learning and widen the range of policy options under consideration in each Member State.

- Finally, commonly agreed indicators will help to measure progress, in relation to the situation of other Member States and to the common objectives.

### 2. COMMON OBJECTIVES FOR FUTURE PENSION PROVISION

Taking into account the key challenges identified above, as well as the ten principles proposed in the communication of October 2000, the Commission proposes the following set of common objectives for supporting integrated national strategies for securing the future of pension systems.

#### 2.1. Adequacy of pensions

Pension systems should effectively prevent poverty and social exclusion among older people by providing a decent standard of living in retirement irrespective of a person’s ability to acquire own pension entitlements and allow older people to share in the economic well-being of their country and to participate actively in public, social and cultural life. They should also, through the combination of their different pillars, offer additional opportunities for each individual to acquire pension entitlements which allow survivors’ pensions are usually provided through pension schemes and contribute significantly to the social protection of older people, they are included in the scope of the present communication.
them to maintain the standard of living of their choice after retirement or in the event of permanent incapacity. This requires that the provision of pensions through different pension schemes and pillars is such as to contribute in a consistent and complementary manner to the goals of preventing poverty and allowing people to maintain, within reasonable limits, their living standards in old age.

Objectives:

- *Ensure that all older people enjoy a decent living standard, share in the economic well-being of their country and are able to participate actively in public, social and cultural life.*

- *Provide access for all individuals to appropriate pension arrangements necessary to maintain the living standard of their choice after retirement due to old age or invalidity and that of their dependants in the event of death.*

2.2. Financial sustainability of public and private pension schemes

Adequate pension provision is only possible if the necessary financing is available. This will be increasingly difficult in the context of an ageing society. In the absence of reforms, ageing implies that fewer people in work have to support a larger number of people in retirement. This constitutes the challenge of ageing to the financial sustainability of pension systems. Therefore raising employment participation or increasing total employment through immigration is important for ensuring the financial sustainability of pension systems in the long term. Member States should pursue their efforts undertaken in the framework of the European employment strategy, increasing employment rates by the year 2010 to 70 % overall, to more than 60 % for women and to 50 % for people aged 55-64.

As part of such efforts, pension systems and their interaction with the tax-benefit system should be reviewed with regard to the incentives they offer for high labour force participation, in particular of women and older workers. The use of early retirement schemes should be limited, and longer labour market participation should not be penalised. Gradual transitions from employment to retirement should be made possible by allowing the simultaneous receipt of pensions and income from work and by making statutory retirement ages more flexible.

Objectives:

- *In the context of the Employment Strategy, achieve a high level of employment so that the ratio between the active and the retired remains as favourable as possible.*

- *Ensure that pension systems, and in particular early retirement and invalidity schemes, and their interaction with tax-benefit systems, offer effective incentives for the participation of older workers; that workers are not encouraged to take up early retirement and are not penalised for*
staying in the labour market beyond the standard retirement age; and that pension systems facilitate the option of gradual retirement.

A significant proportion of total pensions expenditure is funded through public budgets. This is subject to the requirements of the Stability and Growth Pact. Sound management of public finances and the reduction of public debt will ease the constraints on public finances and help face the budgetary impact of ageing populations. Reforms of pension systems, as well as progress in raising employment, should keep public spending on pensions as a percentage of GDP at reasonable levels compatible with the goal of sustainable public finances. An additional element could be to have recourse to dedicated funds. Several Member States have started setting up special pension reserve funds or are planning to do so.

Objective:

- In the context of sustainability of public finances as well as of the need to cope with the budgetary impact of ageing populations, ensure that public spending on pensions is maintained at a level in terms of percent of GDP that is compatible with the Growth and Stability Pact. This may include setting up dedicated reserve funds, if considered appropriate by the authorities.

Higher employment rates and sound public finances can make a major contribution towards absorbing the budgetary impact of ageing. However, in many Member States this will not be sufficient in view of rising old-age dependency ratios. In these cases, measures are required to ensure an equitable distribution of this financial impact both within and between generations. Such measures may include adjustments in the level of pensions paid to the retired, and of contributions and taxes mainly levied on the active population. Member States should ensure intergenerational fairness, avoiding the two extremes of overburdening the active generation, on the one hand, and reducing pension levels below an adequate level, on the other. Particular attention should be paid to avoiding reductions of the lowest pensions (intragenerational fairness).

Objective:

- Strike a fair balance between the active and the retired through appropriate adjustments to the levels of contributions and taxes and of pension benefits.

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In this context, the importance of tax policies should be noted. In its communication of 11 October 2000 on safe and sustainable pensions (COM(2000) 622 final) the Commission pointed out that "[o]n the revenue side, a continued ability of governments to collect taxes and contributions is crucial. This may be affected by tax evasion, by cross-border differentials or by a higher mobility of tax bases and hence the possibility for economic activities to move to countries where the best balance between taxes/contributions and public services can be found." See also the Commission communication of 23 May 2001 on “Tax policy in the European Union – Priorities for the years ahead”, COM(2001) 260 final.
Pension systems need to rely on the contribution of second and third pillar schemes to achieve their social objectives. This contribution of private pension schemes to the incomes of retired people may need to be increased to the extent that Member States try to contain the burden of rising pensions expenditure on public finances. An appropriate regulatory framework at Member State and EU level is needed, allowing them to take full advantage of the opportunities of the Single Market and the Euro. Financial sustainability is also an issue for these private schemes which may be affected by the impact of demographic ageing on capital markets. The European Union and the Member States, by creating a good regulatory framework, and the social partners, through sound management of pension schemes, should take the necessary measures to safeguard the ability of private pension schemes to provide the pension benefits to which scheme members are entitled.

Objective:

- **Ensure, through appropriate regulatory frameworks at national and European level and through sound management, that private funded pension schemes will continue to provide, with increased efficiency and affordability, the pensions to which scheme members are entitled.**

2.3. **Modernisation of pension systems in response to changing needs of society and individuals**

Pension systems need to evolve to reflect changes in society and the labour market. Many pension scheme rules are based on out-dated assumptions about family and employment patterns, about the roles of men and women in households and on the labour market and on generalisations about people’s preferences with regard to retirement. Furthermore, their incentive structures tend to reflect past labour market patterns and have not taken into account changes in life expectancy at retirement. As a result pension systems fail to cater well for the needs of increasing numbers of people. Out-dated assumptions are in particular reflected in different survivors' benefits for men and women and different pensionable ages. Pension systems should be modernised to take account of changes in society and to make sure that they cater well for the needs of a more mobile and flexible workforce and of less stable families.

Objectives:

- **Ensure that pension systems are compatible with the requirements of flexibility and security on the labour market, that labour market mobility within Member States and across borders and non-standard employment forms do not result in undue losses of pension entitlements and that self-employment is not discouraged by pension systems.**

- **Review pension systems with a view to eliminating discrimination based on sex while addressing the sources of gender-related inequalities in pension entitlements (e.g. career breaks for family reasons, actuarial factors).**
One important element of the reform of pension systems should be to make them more transparent and predictable. Sufficient information about the likely future development of pension systems and about individuals’ own entitlements is crucial for maintaining confidence in pension systems and enabling individuals to make any necessary changes to their life plans accordingly. Such information should cover factors affecting these systems (demography, social and economic change) as well as envisaged policy responses.

- Make pension systems more transparent, predictable, and adaptable to changing circumstances. Provide reliable and easy-to-understand information on the long-term perspectives of pension systems including assessments of the impact of demographic, social and economic change and the impact of envisaged policy measures on the performance of pension systems, notably with regard to the likely evolution of benefit levels and contribution rates. Improve the methodological basis for efficient monitoring of pension reforms and policies.

3. DEVELOPING INDICATORS FOR UNDERPINNING THE OPEN METHOD OF CO-ORDINATION

Progress towards the objectives presented above should be measured using appropriate indicators which should aim at providing comparable information on the major economic, financial and demographic trends affecting the long-term sustainability of pensions, as well as on the progress of pensions reform and its likely impact, while allowing for the large diversity of national pension systems. Work is already in progress in the indicators subgroup of the Social Protection Committee which has started to discuss this matter in order to elaborate a list of commonly agreed indicators that could underpin the EU-level co-operation process on safe and sustainable pensions. The Economic Policy Committee has already published some interim projections for the public pensions expenditure for the period 2000 to 2050. These budgetary projections of future expenditure on pensions could be a central indicator in the open method of co-ordination. Consideration should be given to repeating such projection exercises every two or three years, to take on board the latest information.

The Commission will pursue its work on appropriate indicators in co-operation with the relevant policy Committees (Social Protection Committee, Economic Policy Committee, Employment Committee). A large variety of indicators will be needed: performance indicators (drawn from statistical data sets developed by Eurostat or international organisations) as well as policy indicators (mostly drawn from administrative or institutional information); retrospective indicators as well as projections. Given the difficulty of requiring common assumptions about underlying socio-economic trends or the future impact of policy changes, greater co-operation among Member

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States may be needed going beyond what is normally associated with the choice of indicators.

The list of commonly agreed indicators should make it possible to measure trends and policy developments addressing the triple challenge identified in section 1: adequacy, financial sustainability, and adaptability to change. The aim of such work should be to submit a first list of commonly agreed and defined indicators in time for the Barcelona Spring Summit.

4. A COMPREHENSIVE AND INTEGRATED APPROACH TO THE REFORM OF PENSIONS SYSTEMS

The future of pension systems depends on policies in different areas including employment, public finances and social protection. This calls for an integrated approach and close co-ordination among policy makers in these different areas.

4.1. Ensuring social and financial sustainability of pensions through mutually reinforcing policies

The challenge of securing pensions sustainability is vital for the overall socio-economic development of the EU and should be seen as a central element of the Lisbon Strategy aimed at sustainable economic growth, full employment and greater social cohesion. The reforms of pension systems are a central element of a strategy for modernising social protection with a view to creating an active welfare society, as well as for ensuring a high level of social cohesion. They also play a key role in ensuring fiscal consolidation, quality and sustainability of public finances. Furthermore, pension systems determine the living standards of a large proportion of the population and have large implications for the functioning of the whole economy and in particular labour and capital markets. As a result, comprehensive and integrated policy strategies are required that cut across many policy areas, including for example: social protection, employment, immigration, organisation of work and industrial relations, public finance, prudential regulation, life-long learning, equal opportunities and social inclusion.

Dealing with such a challenge requires an approach that is inspired by the concept of the “triangle” of mutually reinforcing policies – employment, social protection, and economic and budgetary policy, as outlined in the European Social Agenda adopted at the Nice summit of December 2000. Social protection policy must seek to ensure an adequate level of income for future pensioners, while supporting the goal of an active welfare society and without creating undue burdens for future generations or destabilising public finance which might jeopardise macroeconomic stability. Structural reforms of labour markets, including effective work incentives in social protection and pension systems, should promote the goal of full employment, so as to improve the long term perspectives for pension systems, regardless of the schemes under which they are funded. These reforms should support a sustained economic growth, which, in turn, should facilitate reforms and help to reconcile social and financial objectives. Only a strong positive interaction
between these three policy areas can guarantee the future ability of pension systems to fulfil their basic social goals.

It is therefore vital that progress be made towards meeting the common objectives of pension reforms. The assessment of such progress within the existing processes and within the framework of the open method of co-ordination should feed into the overall policy co-ordination process, and the results of this work should be integrated into the Broad Economic Policy Guidelines. Integrated national strategies would rationalise the processes of producing the required information and ensure their consistency.

4.2. Ensuring co-ordination between relevant actors in the process

It is necessary to ensure that different policies affecting the long-term sustainability of pensions – employment, social and economic – are coherent, complementary and integrated. The open method of co-ordination to be applied to ensuring the sustainability of pension systems must recognise the distribution of policy responsibilities and the distinct contributions that come from various policy making processes. This is true both at national and at European level.

Member States should be required to set out their strategies for ensuring the sustainability of adequate pension provision and modernising their pension systems in integrated national strategy reports. These should explain the combination of policy measures through which the common objectives are to be achieved. It will be for the Member States to decide which set of policies is most appropriate.

The Commission will analyse the national reports with regard to meeting the common objectives, assess the strategies presented therein and identify good practice and innovative approaches. On the basis of a Commission communication, regular joint reports by the Commission and the Council will be prepared and updated as necessary. The various relevant Committees are expected to work jointly on this basis. Clearly, it will also be essential that the European Parliament gives its opinion on this Commission initiative concerning the open method of co-ordination applied to adequate and sustainable pensions and remains fully involved in future work in this area.

5. **OUTLOOK: A PLAN OF WORK FOR THE COMING YEARS**

The Commission invites the Council to endorse the objectives and working methods proposed in the present communication for the area of pension reforms. In accordance with the conclusions of the Göteborg European Council, a progress report setting out the objectives and working methods in the area of pensions, should be presented to the European Council at its meeting in Laeken in December 2001, in preparation for the Spring 2002 European Council. It would be desirable that solid progress on the common objectives and working methods be made in time for the European Council meeting in Laeken.
This would make it possible to start the preparation of the national strategy reports to be presented by the Member States by July 2002. In their preparation, national governments should ensure close co-ordination between all relevant departments, and adequate participation of the social partners and other stakeholders. The reports should contain a strategic statement and focus on reforms undertaken, or envisaged, to meet the common objectives. They should be supported by commonly agreed indicators, and, where appropriate, national targets could be usefully included.

Drawing on the information provided in the national strategy reports on the sustainability of pensions, the Commission would present a report assessing the national strategies and identifying good practice and innovative approaches, as a contribution to a joint report to be agreed jointly by the Commission and the Council. The timing of this joint report should allow for its conclusions to be included in the synthesis report to be discussed at the Spring European Council in 2003 in accordance with the Lisbon process.

The first national strategy reports to be prepared in 2002 should be updated as appropriate in subsequent years, highlighting new developments in national strategies and progress made in implementing them. In 2005 a major review should be carried out on the basis of the latest available data and following a dialogue with all relevant actors.
APPENDIX

1. INDICATIVE OVERVIEW OF MAIN EU ACTIVITIES IN THE AREA OF PENSIONS

There are a number of policy goals, mostly linked to the Internal Market and the Single Currency, that require action at the level of the European Union. The open method of co-ordination applied to pension reforms seeks to co-ordinate the action of national policy makers, but would not alter in any way the distribution of responsibilities between the EU and the Member States or between government and the social partners.

FREE MOVEMENT OF PEOPLE: PORTABILITY OF PENSION RIGHTS (ART. 42 OF THE TREATY ESTABLISHING THE EUROPEAN COMMUNITY)

– Regulation 1408/71 on the co-ordination of social security schemes. Covers mainly statutory schemes, but occupational schemes can be included in the scope (e.g. French AGIRC and ARRCO, Swiss mandatory pension funds).


– The Pensions Forum, comprising representatives from the social partners, national administrations and pension providers, meets twice a year to discuss obstacles to mobility and possibilities for overcoming them.

FREEDOM OF ESTABLISHMENT (ART. 43) AND FREEDOM TO PROVIDE SERVICES (ART.49)


– The proposal for a Directive on the activities of institutions for occupational retirement provision (COM(2000) 507 final of 11 October 2000) aims at establishing minimum prudential standards, defining the role and responsibilities of supervisory authorities, proposing a qualitative approach to investment rules, according to which investment portfolio management should comply with principles (diversification, security, quality) and not uniform quantitative requirements. The proposal is also designed to allow cross-border management of occupational pension schemes - an institution in one Members State would be able to manage company pension schemes in other Member States.

– The Commission Communication on the elimination of tax obstacles to the cross-border provision of occupational pensions (COM(2001) 214 final of 19
April 2001) proposes a comprehensive strategy to address the tax obstacles that currently can act as a major disincentive to individuals wishing to contribute to pension schemes outside their home Member State and pension institutions that wish to provide pensions across borders.

**FREE MOVEMENT OF CAPITAL (ART. 56)**

- Article 56 of the Treaty prohibits restrictions on the free movement of capital. The proposal for a proposal for a Directive on the activities of institutions for occupational retirement provision seeks facilitate the free movement of capital by abolishing uniform quantitative investment requirements.

**CO-ORDINATION OF ECONOMIC POLICIES (ART. 99)**

- The economic and budgetary implications of ageing populations are examined as part of the multilateral surveillance procedure. The 2001 Broad Economic Policy Guidelines, adopted at the European Council of Gothenburg in June 2001 state “Member States need to develop comprehensive strategies for addressing the economic and budgetary challenges posed by ageing populations. Strategy measures might include reform of pension and health care systems, and care for the elderly, increasing the effective retirement age, stimulating higher labour supply participation, especially for older workers, setting-up and increasing public pension fund reserves and possibly encouraging the expansion of supplementary privately-funded pension schemes (pillars 2 and 3). These strategies should be presented in conjunction with stability and convergence programmes and be examined in the context of multilateral surveillance, taking due account of the subsidiarity principle”. The work on economic and budgetary aspects of ageing populations is being supported by the Economic Policy Committee.

**ACHIEVE A HIGH LEVEL OF EMPLOYMENT THROUGH A COORDINATED STRATEGY (ART. 125)**

- The Guidelines adopted as part of the European Employment Strategy are aimed at raising employment rates in general and of women and older workers in particular. The success of this strategy will be crucial for the sustainability of adequate pension provision.

**PROMOTE HIGH STANDARDS REGARDING WORKERS' RIGHTS (ART. 137)**

- Directives 80/987/EEC of 20 October 1980 (on the approximation of the laws of the Member States relating to the protection of employees in the event of the insolvency of their employer) and 2001/23/EC of 12 March 2001 (on the approximation of the laws of the Member States relating to the safeguarding of employees' rights in the event of transfers of undertakings, businesses or parts of undertakings or businesses) require Member States to take the necessary measures to protect workers' supplementary pension rights.
ACHIEVE A HIGH LEVEL OF SOCIAL PROTECTION BY ENCOURAGING COOPERATION BETWEEN MEMBER STATES AND FACILITATING THE COORDINATION OF THEIR ACTION (ART. 140)

– The Commission communication of 14 July 1999 on "A Concerted Strategy for Modernising Social Protection" (COM(99)347 final) proposes a more structured form of co-operation, notably regarding the objective of safe and sustainable pensions.

– The Stockholm European Council Proposal requested that "[w]here appropriate, the potential of the open method of co-ordination should be used to the full, particularly in the field of pensions, taking due account of the principle of subsidiarity."

PROMOTE THE EQUAL TREATMENT OF MEN AND WOMEN (ART. 141)

– Directive 79/7/EEC of 19 December 1978 on the progressive implementation of the principle of equal treatment for men and women in matters of social security allows discriminations regarding the retirement age and survivors’ pensions, but calls for them to be phased out.

– Article 141 requires equal treatment with regard to occupational schemes which are regarded as pay. This is reflected in Directive 86/378/EEC of 24 July 1986 on the implementation of the principle of equal treatment for men and women in occupational social security schemes amended by Council Directive 96/97/EC of 20 December 1996.
2. **KEY DOCUMENTS AND DECLARATIONS AT EU LEVEL RELATING TO THE FUTURE OF PENSION SYSTEMS**


24 March 2000: The Lisbon European Council in March 2000 requests "a study on the future evolution of social protection from a long-term point of view, giving particular attention to the sustainability of pension systems" and a report on the contribution of public finances to growth and employment, which, inter alia, considered the sustainability of public finances in the light of ageing populations.


7 November 2000: the Council (ECOFIN) took note of the Economic Policy Committee Report on the “Impact of ageing populations on public pension systems”.


24 March 2001: Stockholm European Council stressed that "[t]he coming decade offers an opportunity to address the demographic challenge by raising employment rates, reducing public debt and adapting social protection systems, including pension systems." (§ 7 of the conclusions) Recommended that, "[w]here appropriate, the potential of the open method of co-ordination should be used to the full, particularly in the field of pensions, taking due account of the principle of subsidiarity"(§ 32).


16 June 2001 Göteborg European Council stresses that "[a] comprehensive approach is needed to meet the challenges of an ageing society" and endorsed "the three broad principles for securing the long-term sustainability of pension systems as identified by the Council: safeguarding the capacity of systems to meet their social objectives, maintaining their financial sustainability and meeting changing societal needs."
4. **THE ROLE OF EUROPEAN INSTITUTIONS AND POLICY COMMITTEES RELATED TO THE FUTURE OF PENSION SYSTEMS**

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<thead>
<tr>
<th>European Commission</th>
<th>Council</th>
<th>European Parliament</th>
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<tbody>
<tr>
<td>- proposes objectives for co-ordinating the reforms of national pension systems</td>
<td>ECOFIN Broad Economic Policy Guidelines</td>
<td>- adopts opinions (own initiative and in response to proposals by the Commission)</td>
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<td>- monitors national employment strategies</td>
<td>Employment and Social Policy (ESP) Employment process and open method of co-ordination applied to social protection and social integration</td>
<td>- contributes to discussions in the Council</td>
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<td>- monitors national pension reform processes</td>
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<td>- exchanges views with policy committees</td>
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<td>- proposes Broad Economic Policy Guidelines and recommends recommendations</td>
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<td>- proposes Employment Guidelines and recommends recommendations</td>
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<td>- drafts reports assessing national strategies on employment and pensions and identifying good practice</td>
<td>Economic Policy Committee (EPC) - assists the Commission in examining the economic and budgetary implications of pensions systems as part of the multilateral surveillance process (article 99)</td>
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<td>- works with advisory committees on specific aspects</td>
<td>Social Protection Committee (SPC) - assists the Commission in the assessment of national pension strategies and their compatibility with the goals of adequacy of pensions and adaptation to a changing society</td>
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<td>- liaises with European Social Partners and relevant NGOs</td>
<td>Employment Committee (EMCO) - assists the Commission in the assessment of progress under the European Employment strategy and in particular the evolution of employment rates</td>
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<td>Social Dialogue Committee - role of the social partners in pension reform processes</td>
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<td>Equal Opportunities Advisory Committee - gender issues in pension systems and reforms</td>
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<td>European Pensions Forum - access to occupational pension schemes - portability of occupational pension rights</td>
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<tr>
<td>European Council - gives general political guidelines and assesses progress at Spring meetings</td>
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### 5. **Timeline: Next Steps**

<table>
<thead>
<tr>
<th>Year</th>
<th>Member States</th>
<th>Commission</th>
<th>Council</th>
<th>European Parliament</th>
<th>European Council</th>
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</thead>
<tbody>
<tr>
<td>2001</td>
<td>3 July</td>
<td>Adopts Communication</td>
<td>Informal Council: First discussion on Communication</td>
<td>Opinion on the objectives and the open method of coordination</td>
<td></td>
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<tr>
<td></td>
<td>7 July</td>
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<td></td>
<td>December</td>
<td>National implementation reports on the Broad Economic Policy Guidelines and on budgetary strategies for ageing</td>
<td>Agreement on the open method of coordination and common objectives</td>
<td></td>
<td>Laeken European Council: Endorsement of the open method of coordination and objectives for pension reform</td>
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<td>2002</td>
<td>January/February</td>
<td>Analysis of public finance implications of pension reforms for Spring Report; Report on implementation of Broad Economic Policy Guidelines</td>
<td>Report covering common indicators, flexible retirement and new data on financial sustainability</td>
<td>Opinion on indicators</td>
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<td></td>
<td>March</td>
<td>First national strategy reports (to be updated annually)</td>
<td>Agreement on the indicators</td>
<td>Barcelona European Council: Endorsement of the indicators</td>
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