



GREEN PAPER

Towards adequate, sustainable and
safe European pension systems

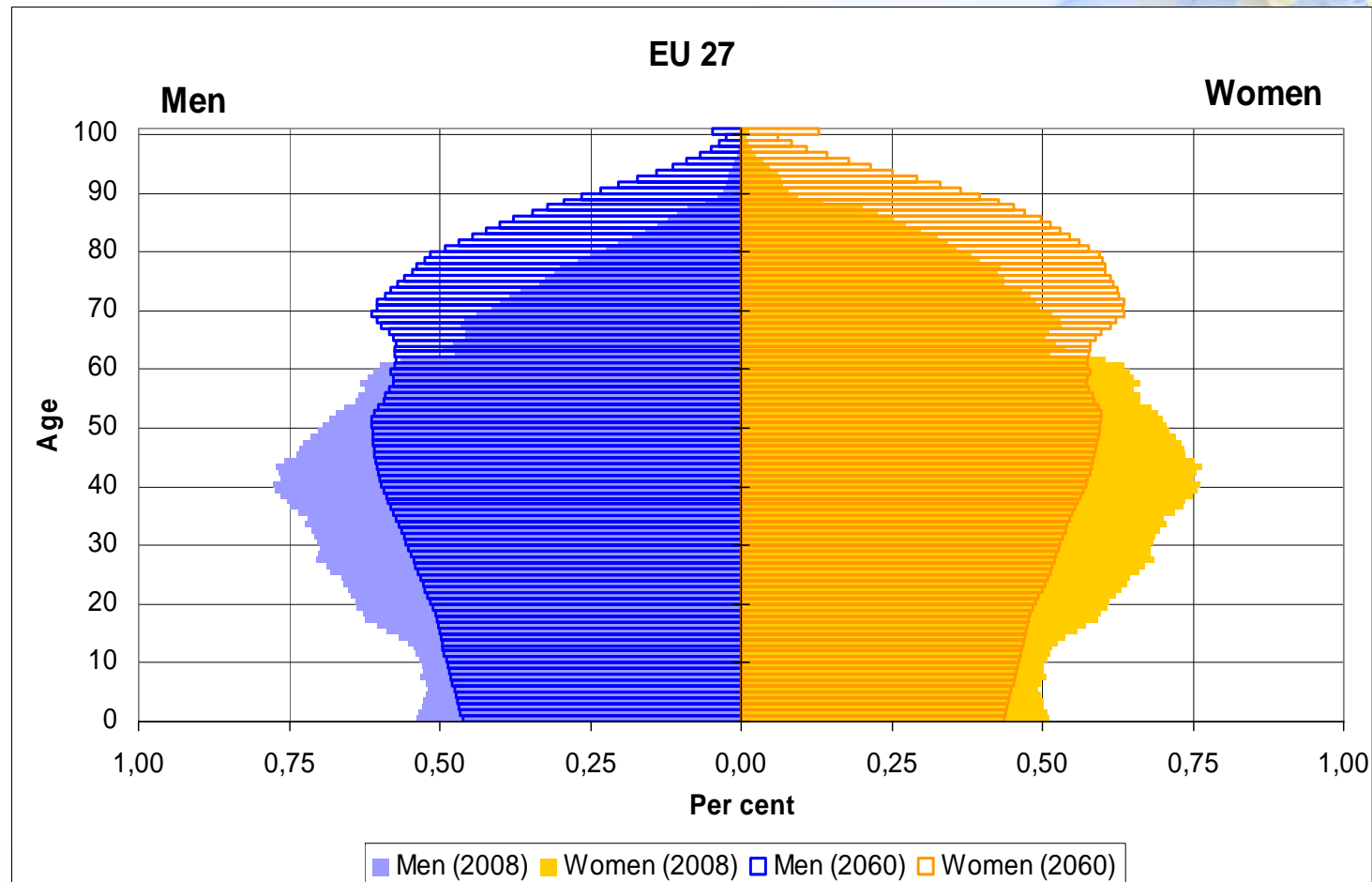
Green Paper Consultation 7th July – 15 November 2010

Background – Pensions under pressure in EU Member States

- **Imbalances from past**
 - between rising longevity and declining effective retirement age
 - Reversal since 2000 – but in many MS people still leave labour market earlier than they did in 1970.
- **Demographic ageing accelerates:**
 - Increasing longevity amid persistently low birth rates.
 - From 2012 EU working age population will begin to shrink.
- **Pension Reforms**
 - Systems changed from single to multi-pillar, increasing role for private funded and thus potentially for Europe
- **The crisis**
 - Financial, economic and public budget crises aggravate situation for both public and private schemes
 - fund losses, budget deterioration and employment impacts.

Our main challenges – Demographic change

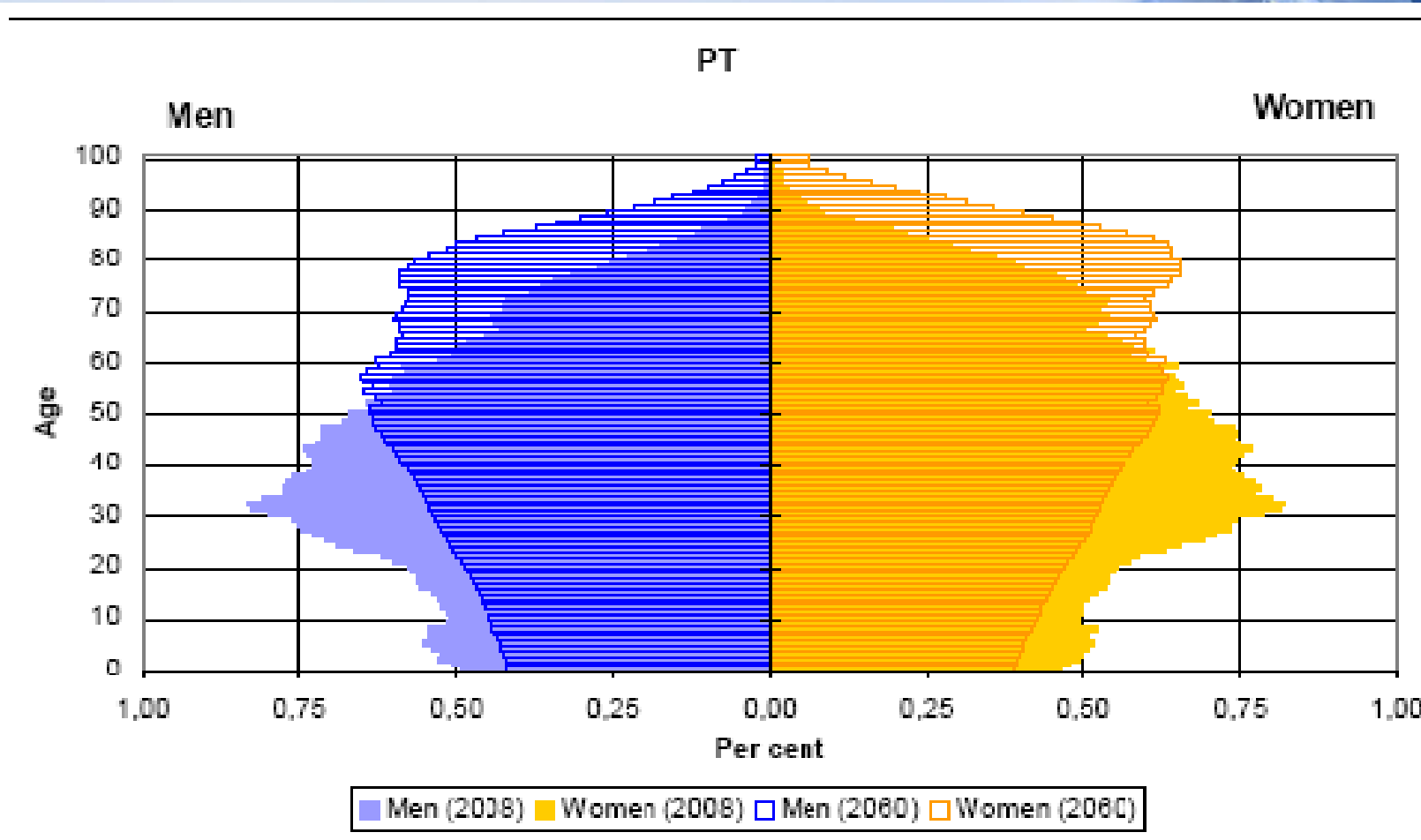
Demographic change in the EU , 2008-2060



Source: Eurostat, Convergence Scenario, EUROPOP2008, Demography Report 2008

Our main challenges – Demographic change

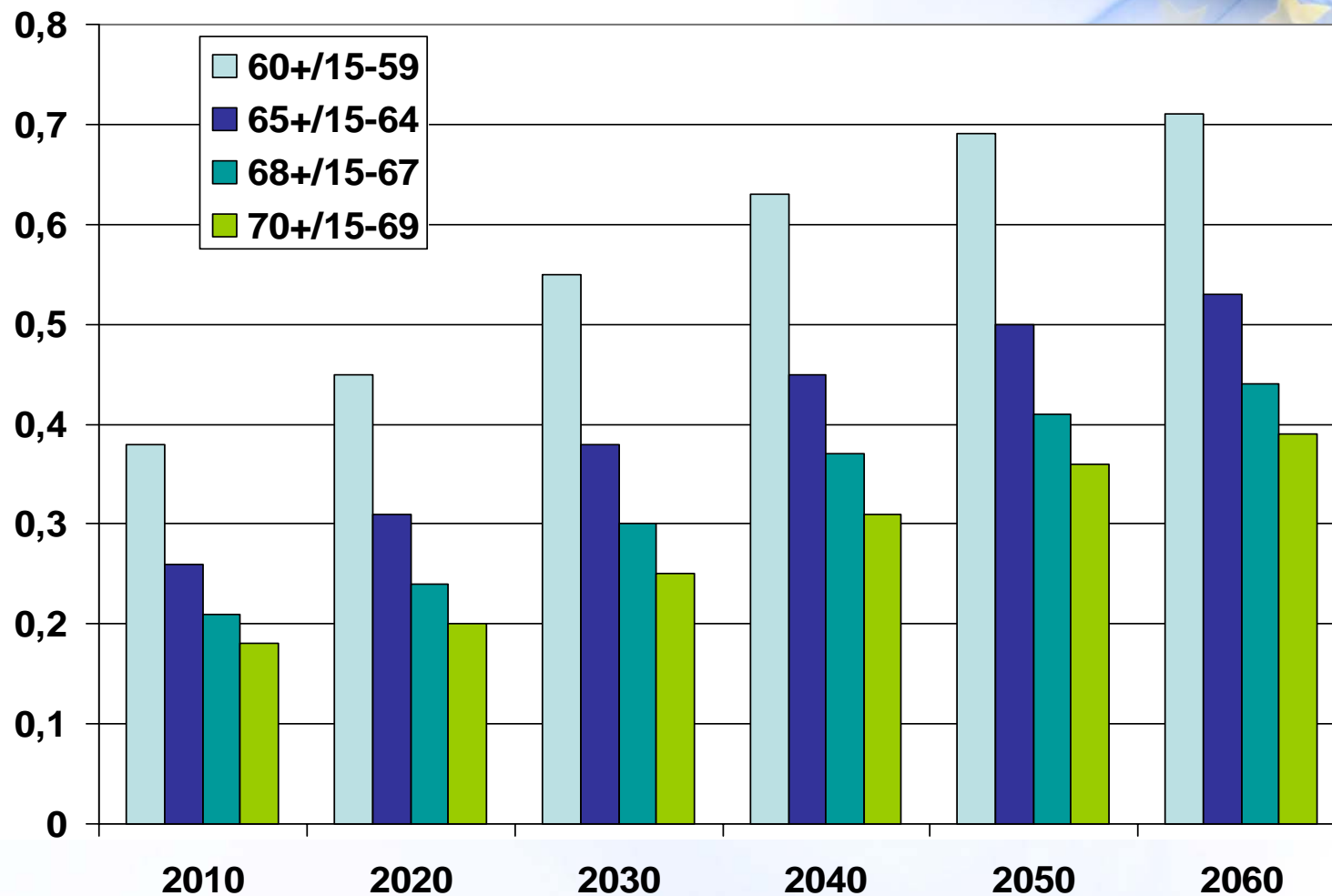
Demographic change in Portugal, 2008-2060



Source: Eurostat, Convergence Scenario, EUROPOP2008, Demography Report 2008

Our main challenges – Demographic change

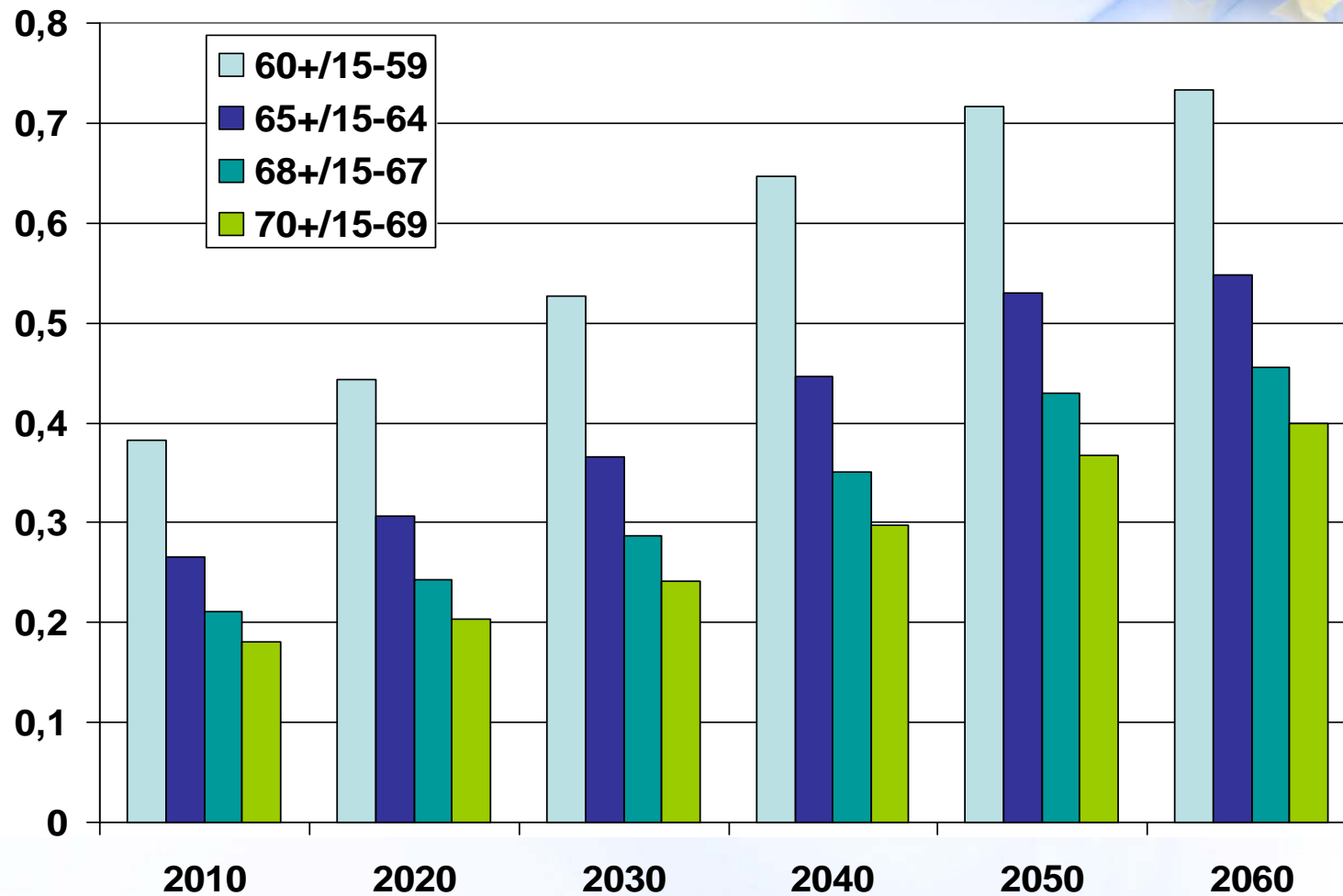
Dependency ratios in the EU-27 between 2010 and 2060



Source: Eurostat population projections, Europop 2008

Our main challenges – Demographic change

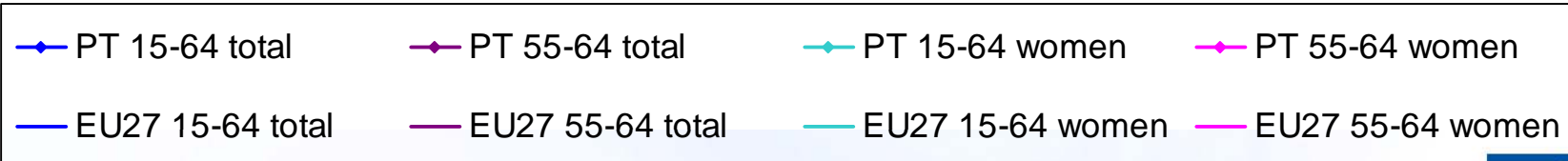
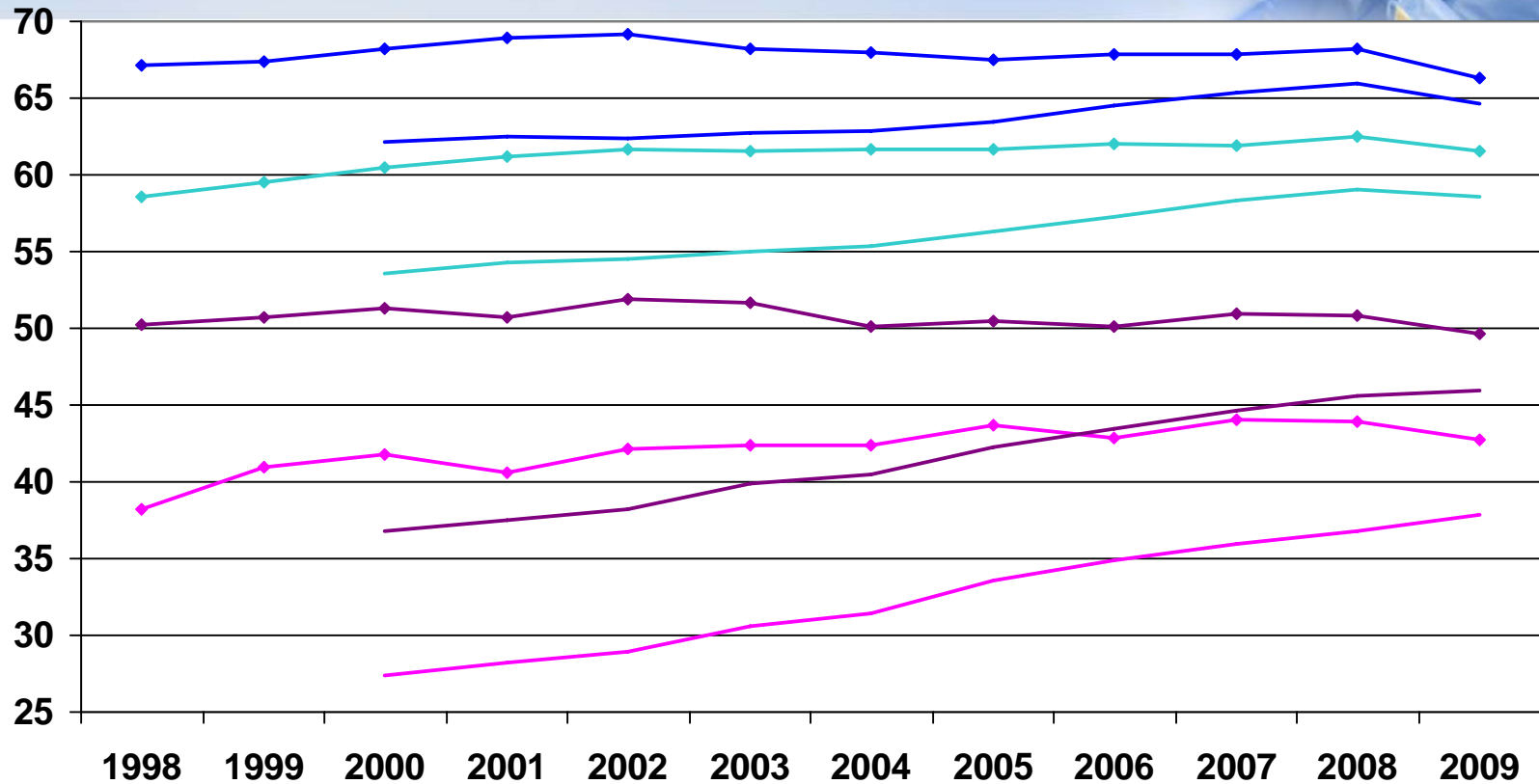
Dependency ratios in Portugal between 2010 and 2060



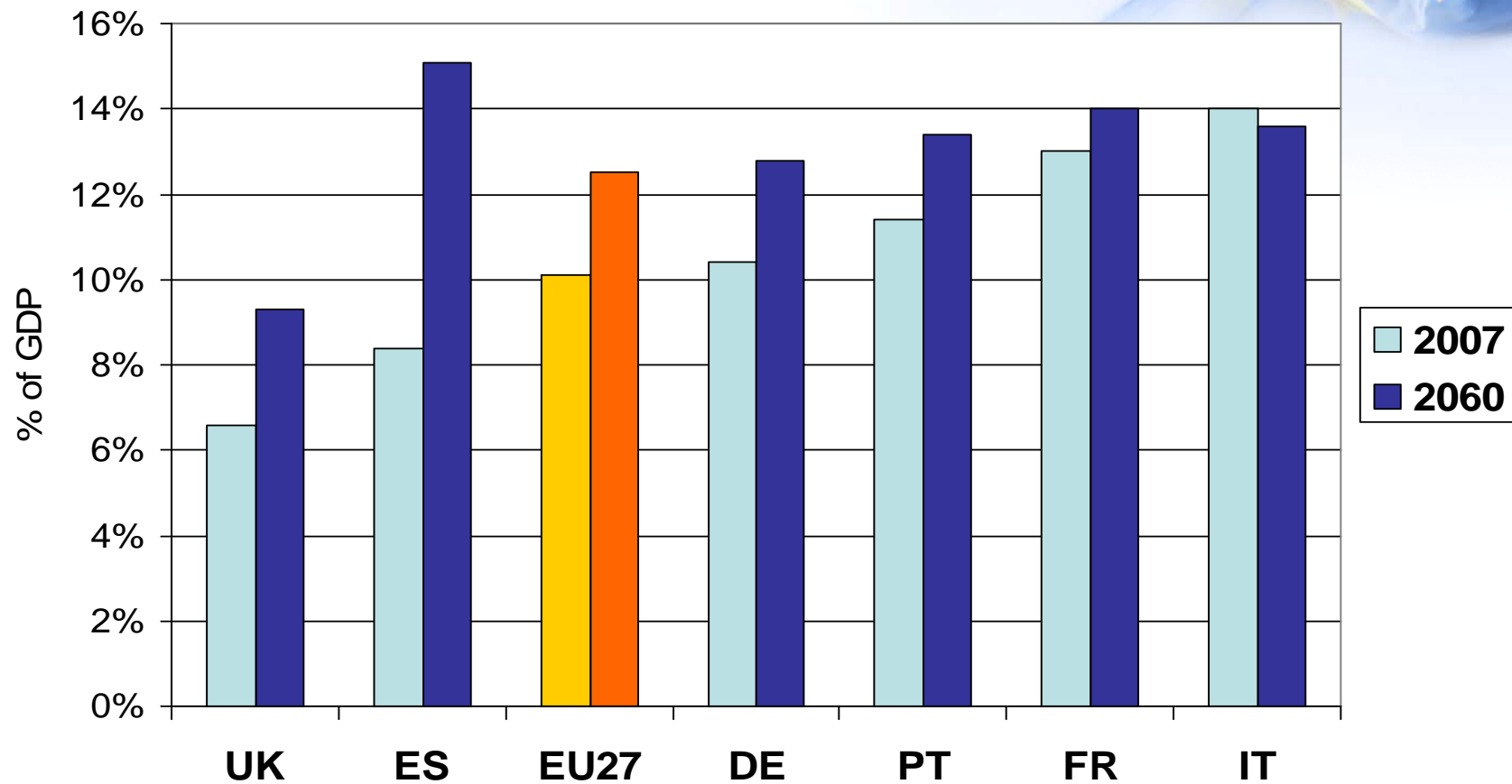
Source: Eurostat population projections, Europop 2008

Our main challenges – Changing labour market behaviour

Employment rates for selected categories of workers in Portugal (1998-2009) and EU-27 (2000-2009)

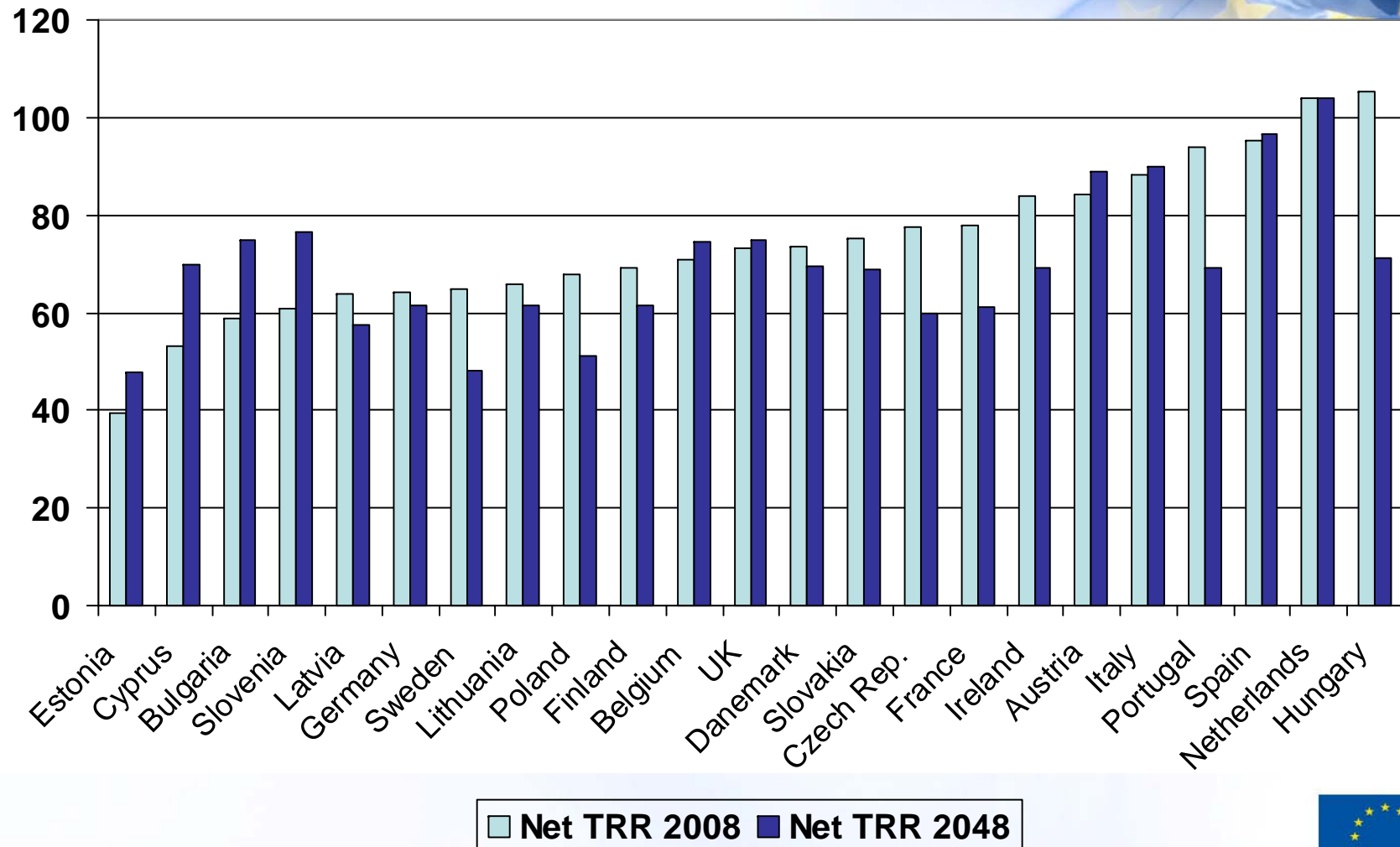


Public pension expenditure projections, 2007-2060



Source: Ageing Report 2009, p. 282

Will future pensions be adequate? Projections of net theoretical replacement rates in selected EU countries 2008-2048



EU role on pensions (1)

- Pensions largely responsibility of MS
 - Subsidiarity recognised - NO change intended
- Limited EU [supporting] Role in:
 - Cross Border REGULATION
 - Policy COORDINATION
- Sum of EU *support* activities – short hand referred to as: EU framework for pensions

EU role on pensions (2) : Regulation

- **Regulatory framework** at EU level covers 4 main points:

1. Cross border **coordination of social security** pensions and some basic rules on supplementary pensions to facilitate the **free movement** of workers and **equal treatment** for migrant workers

2. Establishing an **internal market** for funded occupational schemes and the necessary *minimum standards on prudential rules* to protect scheme members and beneficiaries;

3. Minimum guarantees concerning occupational pensions and accrued rights in case of the **insolvency** of enterprises as sponsors;

4. **Anti-discrimination** rules which apply, although with some differentiation, to both statutory and private pension schemes.

EU role on pensions (3): Policy Coordination

- **Social OMC** – (Open Method of Coordination) facilitates and promotes national reform, set objectives and indicators, share best practice and mutual learning.
- **Coordination on fiscal sustainability (SGP)** where Treaty requires MS to run budgets that do not jeopardise the functioning of the EMU. Council can recommend remedial action (particularly in the framework of the SGP), also in area of social security if causing problem.
- *More information on EU role on pensions in Commission Staff Working Document "EU legislation, coverage and related initiatives" accompanying the Green Paper.*

Green Paper on Pensions – The **APPROACH**

- Uniquely **JOINT** and **INTEGRATED**
- Commissioner Andor worked closely with Commissioners Rehn and Barnier as co-authors
- Input from many Commission Services
- Enabled **HOLISTIC** view of the EU level pensions framework

- Commissioners Group on Pensions should help retain this holistic approach as work develops

Green Paper - TONE

- Green Paper is aimed at starting an open debate with wide range of stakeholders.
- No specific proposals - questions in the paper are broad
- Important to ensure all different interests taken into account in balanced, hence long consultation over 4 months
- Aim to have a measured, well considered and fact based debate

Green Paper on pensions – **CONTENT**

- Overarching objectives of ensuring adequate, sustainable and safe pensions
- Three main themes beneath this as well as discussion of statistics and governance:
 - (1) Broad strategic issues (links with Europe 2020)
 - (2) Removing obstacles to mobility
 - (3) Safer pensions (Risk mitigation, Shock absorption)

First theme: **Broad reform issues**

- Questions cover areas such as:
 - EU role on adequacy of pensions and sustainability of public finances;
 - How EU can support Member States to balance periods people spend in work and retirement (index pensionable age/ benefits to life expectancy, review clauses)
 - How to promote more & longer employment through Europe 2020 (incl. age management: discrimination, training, working conditions)

2nd Theme: Removing obstacles to **MOBILITY**

- Questions cover areas such as :
 - Strengthening the internal market for pensions, e.g. review of the IORP Directive
 - Scope of pension schemes covered by EU
 - Action on removing obstacles to mobility
 - What that action should be taken (acquisition/ preservation rules, transfers, tracing services)

Third Theme: **SAFER** pensions

- Questions cover areas such as:-
 - Whether to review EU legislation and which parts
 - How EU could help with the **balance** of risk, security and affordability
 - What **solvency** rules should apply to pension funds.
 - Enhancing **protection** in case of sponsoring employer *insolvency*
 - **Information** disclosure
 - Participation and investment **default options**

End & reminder – how to contribute

- Green Paper on the website of DG Employment, Social affairs and Equal opportunities. Link: <http://ec.europa.eu/social/main.jsp?langId=en&catId=89&newsId=839&furtherNews=yes>
- Everybody can contribute via an online questionnaire available at the following link: <http://ec.europa.eu/yourvoice/ipm/forms/dispatch?form=pensions>
- The European Commission looking forward to hearing your views. Thank you for your attention.