



GREEN PAPER

Towards adequate, sustainable and
safe European pension systems

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European Commission

Outline of presentation

- Drivers behind the Green Paper work
- What the EU level does now
- What the key questions were in the GP
- The consultation with stakeholders
- Next Steps



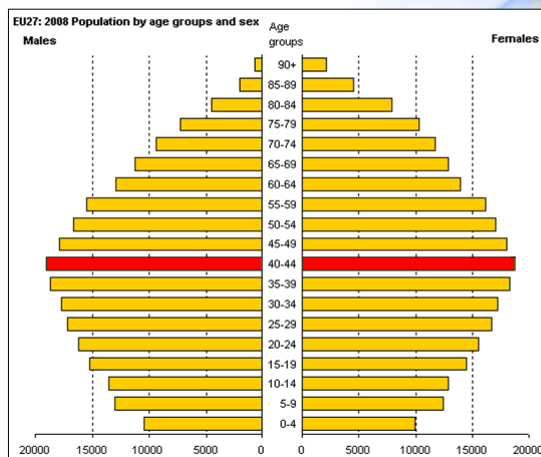
Drivers – EU Pensions under pressure

- In the past imbalances built up between rising longevity and declining effective retirement age
- Reversal in latter trend since 2000 – but people still leave labour market in many countries earlier than 1970.
- Demographic ageing accelerates: further increases in longevity and lower birth rates.
- From 2012 the working age population in Europe will begin to shrink.
- Many Member States have been reforming their pension systems to meet this challenge.
- But the financial and economic crisis has made the situation more difficult still with pension fund losses, public budget deterioration and employment impacts.

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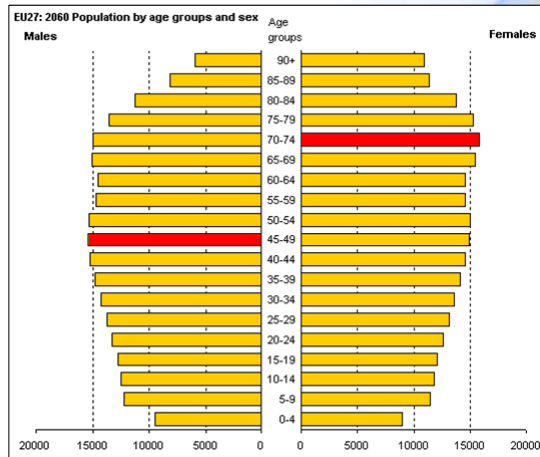
Demographic structure of the population in 2008



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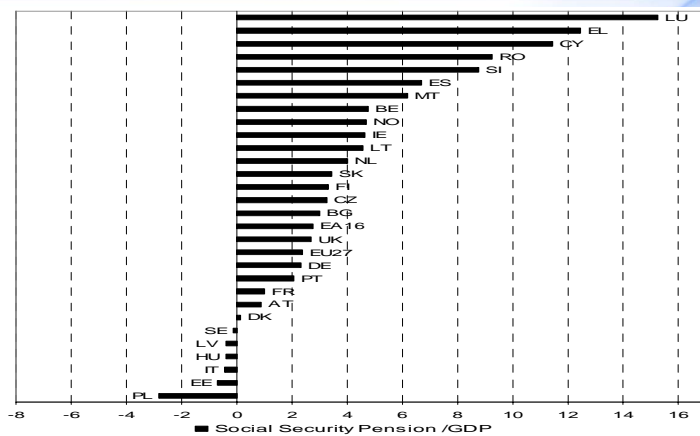
Demographic structure of the population in 2060



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Change in public pension expenditure as a share of GDP over 2007-60 (in % points)



Source: Ageing report 2009, available at: http://ec.europa.eu/economy_finance/publications/publication13782_en.pdf.

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Drivers - Political Guidelines

- Against the background of the demographic challenge and the economic crisis, the time was right to open a debate on how the EU level pensions framework can best support Member States.
- President Barroso's Political Guidelines ahead of his election for a second term said "We need to ensure that pensions do the job intended of providing maximum support to current and future pensioners, including for vulnerable groups."
- Subsequently Commissioner Andor was tasked by the President to "...work with other Commissioners to develop proposals to secure Europe's pension systems."

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Holistic approach

- Commissioner Andor worked closely with Commissioners Rehn and Barnier as co-authors
- Constructive input from various Commission Services
- Enabled taking a holistic view of the EU level pensions framework
- Commissioners Group on pensions helps to retain this holistic approach as work develops

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EU role on pensions (I)

- Design of pension systems largely the responsibility of Member States
- **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 workers who change country;
 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.

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EU role on pensions (II)

- Separate **coordination process** (the Open Method of Coordination - OMC) used to facilitate and promote national reform, share best practice and set high level objectives and indicators.
- **Fiscal sustainability** where the Treaty requires Member States to run budgets that do not jeopardise the functioning of the EMU. The Council can recommend remedial action (particularly in the framework of the SGP), also in the area of social security if that is causing the problem.
- *For more detailed information on the EU role on pensions, see the Commission Staff Working Document "EU legislation, coverage and related initiatives" accompanying the Green Paper.*

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Green Paper - tone

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

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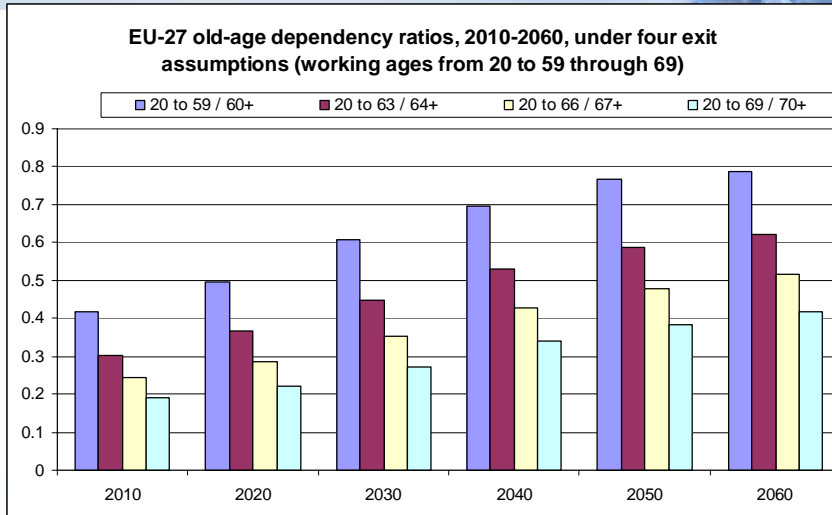
Green Paper on pensions – Brief content (I)

- Review of EU framework on coordination and regulation
- Begins with overarching objectives of ensuring adequate, sustainable and safe pensions
- Three main themes beneath this as well as discussion of statistics and governance:
(1) How EU can support MS's to balance periods people spend in work and retirement
(links with Europe 2020)

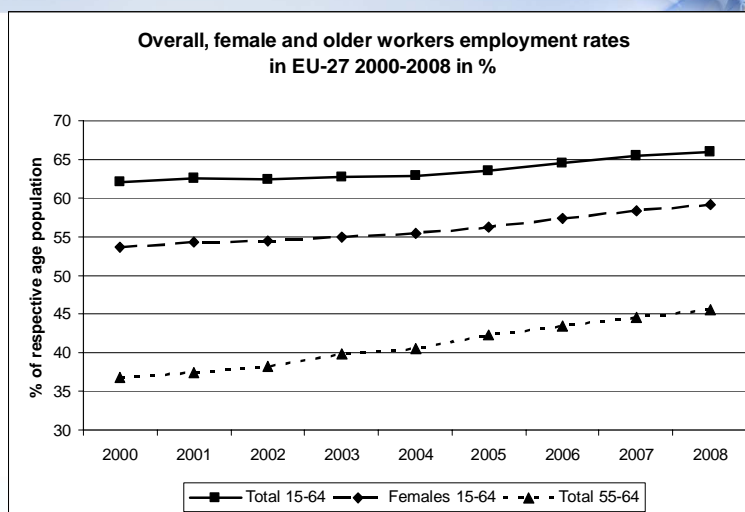
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Potential of WORKING LONGER:
Old-age dependency ratios under
different average exit age scenarios



Overall, female and older workers
employment rates in EU-27, 2000-
2008, in percent



First theme: balancing work and retirement – questions

- Questions cover areas such as:
 - EU role on adequacy of pensions and sustainability of public finances;
 - Mechanisms to balance time in work and retirement - role of EU
 - How to promote longer employment through Europe 2020 (incl. age discrimination)

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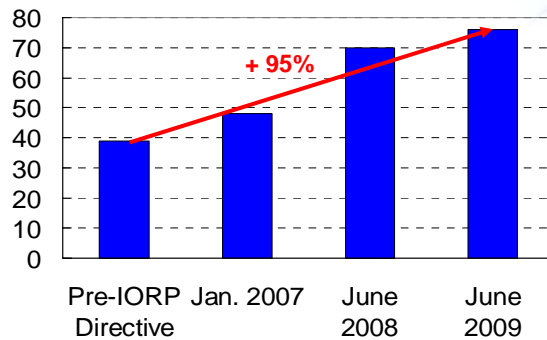
Green Paper on pensions – Brief content (II)

- Themes 2 and 3:
 - 2) Removing obstacles to mobility in the EU
 - 3) Safer pensions (eg mitigating and sharing risk eg through default funds and certain specific approaches to investment for funded pensions)

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Cross border pension funds – still a long way to go



• **76 cross-border cases in EEA**

• **Going up but still low!**

Source: CEIOPS.

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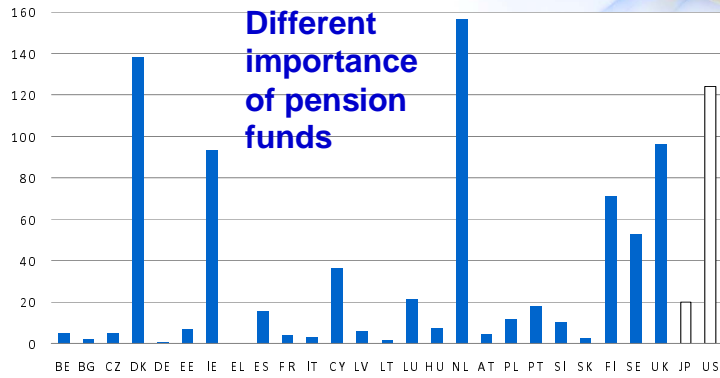
Second Theme: removing obstacles to mobility in the EU – questions

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

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Pension funds - differences in MS



Note: Pension fund assets as a % of GDP (source: European Commission, OECD)

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Benefit ratios (in %) EU Member States in 2007 and 2060

	Benefit Ratio (%)					
	Public pensions			Public and private pensions		
	2007	2060	% change	2007	2060	% change
BE	45	43	-4			
BG	44	36	-20	44	41	-8
CZ	45	38	-17			
DK	39	38	-4	64	75	17
DE	51	42	-17			
EE	26	16	-40	26	22	-18
IE	27	32	16			
EL	73	80	10			
ES	58	52	-10	62	57	-8
FR	63	48	-25			
IT	68	47	-31			
CY	54	57	5			
LV	24	13	-47	24	25	4
LT	33	28	-16	33	32	-2
LU	46	44	-4	46	44	-4
HU	39	36	-8	39	38	-3
MT	42	40	-6			
NL	44	41	-7	74	81	10
AT	55	39	-30			
PL	56	26	-54	56	31	-44
PT	46	33	-29	47	33	-31
RO	29	37	26	29	41	41
SI	41	39	-6	41	40	-2
SK	45	33	-27	45	40	-11
FI	49	47	-5			
SE	49	30	-39	64	46	-27
UK	35	37	7			
NO	51	47	-8			

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Third Theme: safer pensions - questions

- 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 sponsoring employer *insolvency* protection
 - Information disclosure
 - Participation and investment default options

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Green Paper consultation

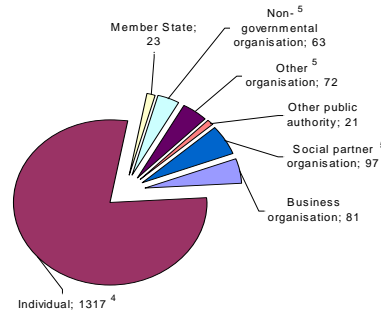
- Consultation ran for over 4 months
- Pension Forum (made up of Member States, social partners and other organisations involved in such pensions) met on 24th September to discuss
- Com Andor hosted a major conference on 29th October which attracted over 350 participants including Government Ministers, key policy makers, international organisations and leading academics and experts from across Europe
- 1674 responses to the Green Paper including around 350 from Member State Governments, National Parliaments, business and trade union organisations, civil society and representatives of the pension industry
- All responses were published online in December

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Response Statistics

Business organisation	81	4,8%
Individual ¹	1317	78,7%
Member State	23	1,4%
Non-governmental organisation ²	63	3,8%
Other organisation ²	72	4,3%
Other public authority	21	1,3%
Social partner organisation ²	97	5,8%
TOTAL ³	1674	



Notes

General comment on statistics:

All the statistics are based on the online responses as given by those completing the questionnaire on our best interpretation for written responses. Where self-descriptions appear to have been chosen in error we do not correct the statistics, but simply record the possible discrepancy and the impact on the figures in the notes.

¹ Individual responses include 1008 responses as part of a campaign from some UK State pensioners relating to a single specific issue namely the uprating of such pensions for those living abroad. Although the responses vary they largely relate only to general comments or question (1) on adequacy.

² Some of these classifications also seem to relate in fact to individual responses from those taking part in the campaign about UK State pension uprating (many are members of a pensioner organisation, hence the possible confusion in classifying the nature of the response). This has not however made a significant difference to the figures (NGO would be -11, Other organisations would be -22 and Social Partner Organisations by -3. Individual responses would be boosted by +38).

³ Figure does not include duplicates of online responses. Where extra information was sent in written form in addition to an online response this will of course be considered, but it was not counted as a separate response or recorded in the written response figures.

⁴ This figure includes a petition counting as one response representing 4131 people plus 81 email responses sent with the petition but making other points which have therefore been treated as individual responses.

⁵ Individual responses include 1008 responses as part of a campaign from some UK State pensioners relating to a single specific issue namely the uprating of such pensions for those living abroad. Although the responses vary they largely relate only to general comments or question (1) on adequacy.

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Next Steps

- Publish summary of consultation responses
- White Paper in 3rd Quarter
- IORP Review in 4th Quarter
- European Semester/National Reform Programmes
- Ageing Report 2012
- Commissioner Group recently met to help to shape next steps and will continue to play role in maintaining holistic approach going forward



End & were to find
more information

- The Green Paper and the consultation responses (and the summary when it is published) can be found on the website of the DG for employment, social affairs and inclusion. Link:
- <http://ec.europa.eu/social/main.jsp?catId=700&langId=en&consultId=3&visib=0&furtherConsult=yes>
- Thank you for your attention.