

**Opinion of the Committee of the Regions on 'Towards adequate, sustainable and safe European pension systems'**

(2011/C 104/09)

## THE COMMITTEE OF THE REGIONS

- reminds that local and regional authorities represent the majority of the public sector employment in Europe and that they for this reason often are responsible for the provision of both public and occupational pension schemes (2nd pillar) to their staff after retirement;
- stresses that public pensions will continue to have a fundamental role in ensuring pension systems that provide every pensioner with an adequate income;
- stresses that budgetary consolidation should take into account the continued responsibility of Member States to assure, to a reasonable degree, the living standard of their citizens after retirement, as guaranteed in the European Union's Charter of Fundamental Rights;
- requests the Commission to ensure that the next steps to be undertaken by the European Commission in this area are accompanied by proper impact assessments, covering notably the impact on local and regional authorities;
- invites the Commission and the Member States to consider EU Pension coordination, particularly within the framework of the Open Method of Coordination, as a central element in the implementation of the EU2020 Strategy towards smart, green and inclusive growth;
- invites the Commission and the Member States to add a social dimension and a local and regional dimension to the macro economic surveillance. The effects on pensions and the social impact on pensioners due to budgetary measures and reforms need to be taken into account, as does the capacity of local and regional authorities to compensate, through welfare benefits and social services, for the fall in the incomes of retired people and those approaching retirement caused by these measures and reforms;
- considers that the EU should develop codes of good practice for the design and management of defined contribution schemes.

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<b>Reference document:</b>	Green Paper towards adequate, sustainable and safe European pension systems COM(2010) 365 final

## I. INTRODUCTION

### THE COMMITTEE OF THE REGIONS

1. welcomes the Commission's initiative of publishing a Green Paper and launching a broad consultation on the important subject of the adequate, sustainable and safe European pension systems;

2. recalls Article 9 of the Treaty on the Functioning of the European Union (TFEU), which states that 'in defining and implementing its policies and activities the EU shall take into account requirements linked to the promotion of a high level of employment, the guarantee of adequate social protection and the fight against social exclusion, and a high level of education, training and protection of human health';

3. notes that the Green Paper meets the objective of both Article 9 TFEU and the more specific Article 153 TFEU and does not appear to raise by its consultation essence any issue regarding its compliance with the principles of subsidiarity and proportionality;

4. acknowledges that each policy level, including the level of regional and local authorities, shall take up the responsibilities that are implied by its competencies in full respect of the principle of subsidiarity, in order to promote the well-being of elderly people in all aspects of their living;

5. highlights that adequate and sustainable pension systems, enabling individuals to maintain, to a reasonable degree, their living standard after retirement, are crucial for citizens and for social cohesion;

6. emphasises that pension systems have an important role as automatic stabilisers;

7. acknowledges that Member States face a number of similar changes with regard to their pension systems, notably considering demographic ageing and the impact of the recent financial and economic crisis;

8. acknowledges the three common objectives for providing adequate and sustainable pensions of the new framework for the social protection and social inclusion process, as adopted by the European Council in March 2006 and consisting of ensuring:

— adequate retirement incomes and pensions,

— financial sustainability of public and private pension schemes,

— transparent information about pension systems;

9. acknowledges the three-pronged strategy for dealing with the impact on public budgets agreed by the 2001 Stockholm European Council and consisting of:

— reducing debt rapidly,

— raising employment rates and productivity,

— reforming pension, health care and long-term care systems;

10. underlines that some aspects of EU pension policies and the EU2020 Strategy are mutually reinforcing. Achieving EU2020's higher employment rates contributes to higher pension benefits for individual pensioners, while contributing to the overall sustainability of social protection and pension systems. In turn, adequate pension benefits are a chief prerequisite in the achievement of the EU2020's ambition to reduce poverty, given that elderly Europeans remain a vulnerable socio-economic group;

11. emphasises that the pension debate is linked to other policy domains, such as employment, health-care, long-term care, education, housing, public services, infrastructures, social assistance and welfare, that are to an important extent the shared responsibility of central government and regional and local authorities;

12. supports a move from largely single-pension systems to multiple-pension (or multiple-pillar) systems;

13. reminds that local and regional authorities represent the majority of the public sector employment in Europe and that they for this reason often are responsible for the provision of both public and occupational pension schemes (2nd pillar) to their staff after retirement;

14. stresses that adequate pensions systems are essential in order to avoid that local and regional authorities that provide residual safety net provisions such as social assistance and long-term care, are over-burdened;

15. reminds that some regional authorities promote and incentivise the registration to supplementary pension schemes, subsidising some regional pension funds, or even creating their own pension fund at regional level;
16. stresses that public pensions will continue to have a fundamental role in ensuring pension systems that provide every pensioner with an adequate income, in accordance with Convention 102 of the International Labour Organisation. Public pensions constitute the solidarity-principle between workers and pensioners;
17. acknowledges that occupational pensions can be an important instrument to complement public pensions, particularly when the necessary lessons are drawn from the experience of the recent economic and financial crisis. The EU should make strenuous efforts to promote and disseminate best practice and models. We also invite the Social Protection Committee to review the role, design and performance of private pensions pillars, for instance by exchanging best practices on how to improve the safety and efficiency of benefit accruals through better risk mitigation, enhanced capacity for shock absorption, clearer information about the risks and returns of different investment options and more efficient administration;
18. stresses that the large-scale adoption of occupational pension schemes represents an important challenge in many Member States, as occupational pension provisions are less frequently provided to low-skilled and atypical workers, and are less common in SME's and weaker economic sectors;
19. stresses that occupational pension schemes should have an appropriate safety framework reflecting the fact that they are long-term instruments, and providing specific safety and rebalancing mechanisms;
20. acknowledges that adequacy gaps, within public as well as occupational pension schemes, remain a problem in many Member States, which among others may be addressed through support to the build up of rights, increase in financial support for poorer pensioners, efforts to broaden coverage including easier access to pensions during periods of maternity and parental leave, as well as for various other categories of carers and for vulnerable groups such as low-skilled, and atypical workers;
21. acknowledges that the adequacy and fiscal sustainability of pensions can notably be improved by promoting and facilitating, on a national as well as on a regional and local level, the participation and employment of all persons of working age with particular attention to the underemployment of women as well as young, older and migrant workers, where relevant;
22. encourages Member States to look into decreasing incentives which encourage early retirement and increase incentives which raise the effective retirement age in order to ensure adequate and sustainable pension systems;
23. stresses that budgetary consolidation should take into account the continued responsibility of Member States to assure, to a reasonable degree, the living standard of their citizens after retirement, as guaranteed in the European Union's Charter of Fundamental Rights;
24. stresses that budgetary consolidation should not hamper the promotion of growth and cohesion, for instance through the implementation of stimulus packages, as the financial sustainability of retirement pensions would also benefit from an improved tax revenue base;
25. emphasises that further measures should be developed and implemented by public authorities and the social partners to promote and encourage the continued employment of older workers, so as to narrow and close the gap between the age of actual labour market exit and the legal retirement age;
26. stresses that the issue of legal pension age is linked to other labour market issues, such as the shortening of labour market careers due to late entry as well as early exit, the need to develop career policies facilitating continued employment and training, the issue of flexible and gradual retirement, the promotion of inclusive labour markets, and the need to address the issue of 'penibility' denoting the need to differentiate between various categories of workers when discussing the subject of early withdrawal and retirement from the labour market;
27. considers that future pensioners should be provided with adequate information, thus allowing them to be fully and correctly informed about their future pension entitlements, in line with objective 11 of the open method of coordination; supports further initiatives in the field of financial education and literacy;
28. welcomes the joint analysis on pension systems in the European Union and their current challenges by the Economic Policy Committee and the Social Protection Committee of the Council of the European Union;
29. stresses the importance of a balanced approach, which gives equal attention to economic, financial and social objectives of pensions systems;
30. considers the pension debate to be part of the Europe 2020 Strategy and stresses that the sustainability and adequacy of our pension systems may be achieved through an integrated socio-economic approach, including economic, social and financial policy measures;

31. supports the integrated approach proposed by the European Commission and notes that local and regional authorities stand ready to continue participating in reform plans within the framework provided by the Open Method of Coordination;

32. considers the Open Method of Coordination to be a key instrument for supporting social development in the EU and the Member States and an essential complement to legislation and financial instruments in relation to the strengthening of social cohesion in the EU within the context of the Europe 2020 Strategy;

33. acknowledges the important role of the social partners in the debate on adequate, sustainable and safe European pension systems, and stresses their responsibility in promoting equitable solutions through a social dialogue on a European, national, regional, local and sectoral level.

## II. POLICY RECOMMENDATIONS

### THE COMMITTEE OF THE REGIONS

34. welcomes the European Commission's commitment to a follow up of the Green Paper '*towards adequate, sustainable and safe European pension systems*' in the form of a White Paper in 2011;

35. requests the Commission to ensure that the next steps to be undertaken by the European Commission in this area are accompanied by proper impact assessments, covering notably the impact on local and regional authorities;

36. invites the Commission and the Member States to consider EU Pension coordination, particularly within the framework of the Open Method of Coordination, as a central element in the implementation of the EU2020 Strategy towards smart, green and inclusive growth;

37. invites the Commission and the Member States to collaborate, within existing EU level policy coordination frameworks, on the development of methodologies allowing Member States to assess jointly and consistently the implications of pension policies on sustainability and adequacy;

38. invites the Commission and the Member States to add a social dimension and a local and regional dimension to the macro economic surveillance. The effects on pensions and the social impact on pensioners due to budgetary measures and reforms need to be taken into account, as does the capacity of local and regional authorities to compensate, through welfare benefits and social services, for the fall in the incomes of retired people and those approaching retirement caused by these measures and reforms;

39. requests the Commission and the Member States to take into consideration the gender dimension when dealing with the adequacy of pensions, taking into account that women are likely to live for more years than men after the legal retirement age, that women represent the largest group of pensioners, that they are over-represented among the group of older pensioners, that they often are over-represented among those with discontinuous careers and atypical employment, and that they are often over-represented among personal carers; this situation is being aggravated by the current expansion of defined contribution schemes;

40. invites the Commission and the Member States to further develop definitions of the various pension concepts, in order to clarify the debate, particularly with regard to the unclear boundaries between: social security schemes and private schemes; occupational and individual schemes; and voluntary and mandatory schemes;

41. invites the Commission and the Member States to exchange information with regard to the concept of 'adequate' income in retirement as applied within the various national pension systems, both with respect of the prevention of poverty as the insurance of purchasing power after retirement;

42. invites the Commission and the Member States to monitor the quality of both public and occupational pension systems for the provision of adequate, accessible, safe and sustainable pensions, including their social outcomes, and to consider the possibility of introducing benchmarks, for instance within the framework of the Open Method of Coordination, for the improvement of the quality of pension systems;

43. considers that the EU should develop codes of good practice for the design and management of defined contribution schemes;

44. invites the Commission and the Member States to develop and improve their statistical apparatus and analytical tools and thus improve their capacity to assess the implications of pension policies on the adequacy and sustainability of retirement income provision;

45. invites the Commission to develop a methodological framework for assessing the effective implications of pension policies for the balance between sustainability and adequacy. This implies that the SPC-EPC collaborate on developing a combination of the current macro-economic approaches for assessing future pension expenditure and micro-economic approaches drawing on micro-simulations of adequacy outcomes;

46. requests the Commission to evaluate the necessity of reinforced open coordination in this area, to promote both the free movement of people and the sustainability of pension systems.

Brussels, 28 January 2011.

*The President*  
*of the Committee of the Regions*  
Mercedes BRESSO

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