Committee on Economic and Monetary Affairs

2012/2234(INI)

27.2.2013

OPINION

of the Committee on Economic and Monetary Affairs

for the Committee on Employment and Social Affairs

on an Agenda for Adequate, Safe and Sustainable Pensions
(2012/2234(INI))

Rapporteur (*): Thomas Mann

(*) Associated committee – Rule 50 of the Rules of Procedure

SUGGESTIONS

The Committee on Economic and Monetary Affairs calls on the Committee on Employment and Social Affairs, as the committee responsible, to incorporate the following suggestions in its motion for a resolution:

<u>1st pillar: Public pensions system</u>

1. Refers with the following key statements to initiatives 1, 2 and 10, which concern first pillar pensions;

2. Emphasises the likelihood of a long-term, low-growth economic scenario, which, coupled with increasing demographic pressure, inevitably means that a given level of income post retirement will require higher contributions during an employee's working life; points out that this will require Member States to consolidate their budgets and reform their economies under austere conditions in order to provide a poverty-proof retirement income under the first pillar;

3. Considers it to be a fundamental principle that first pillar pensions must be poverty-proof, available to all, whether they have been active or not in the labour market, and adopt a lifecycle approach which takes into account a lifelong career, including career interruptions and changes, so as not to punish people with "non-standard" working lives and to recognise the contribution of voluntary work and other unpaid care work which is both socially and economically beneficial;

4. Considers that regulation of adequate, sustainable retirement income is the sole responsibility of the Member States in question, and should be seen in the context of the single market, which is essential for the stability of pension provisions and free movement of labour in the Union, and that the Commission should focus on compiling and disseminating information on the pensions situation and pension reform efforts across the EU and, where appropriate, encourage the Member States to carefully analyse their systems and engage in exchanges of experience and best practice; stresses that the EU should enhance the comparability of pension schemes;

5. Emphasises that the EU should promote the exchange of good practices, such as increasing the accrual rate in the years immediately before the official retirement age or taking into account the life-expectancy coefficient with a view to the sustainability of pension systems;

6. Welcomes the Commission's call in the 2013 Annual Growth Survey to step up pension system reforms in the Member States through better alignment of the retirement age with life expectancy and provisions for longer working lives;

7. Recognises that pension funds are a major investor in the EU economy and are therefore a key element to achieving growth;

8. Calls on those Member States which are in the process of strengthening their pension systems to recognise the challenges posed by ageing populations;

9. Welcomes the recognition that Pillar 2 and Pillar 3 pension schemes are to be encouraged, given the need for individuals to take responsibility for their own finances and futures;

10. Observes that more than 17% of people in the European Union are currently aged 65 or older, and that according to Eurostat's forecasts this figure will rise to 30% by 2060;

11. Welcomes the commitments made by Member States to ensure adequate and sustainable retirement systems in the country specific recommendations adopted by Council last year in the framework of the European Semester;

12. Calls on the Commission to clarify the legal basis for any proposals relating to Member State pension systems at the earliest possible moment;

Initiative 1

13. Calls for the strengthening of the EU's social dimension; stresses the validity of the principle of subsidiarity in the areas affected by Initiative 1; encourages the Commission to take stock of the progress made in the Member States regarding pension reforms in its country specific recommendations that follow from the 2013 Annual Growth Survey; welcomes the recognition that pension systems must be strengthened in the face of long term demographic changes, market instability and low interest rates;

14. Stresses that a key pensions-related issue within the Europe 2020 strategy should be to make it feasible for many more employees, in particular in the most strenuous occupations, to work until the standard retirement age by strengthening public policy in the fields of occupational health, the workplace environment and vocational retraining;

Initiative 2

15. Welcomes the support; stresses in particular that the planned support could facilitate the exchange of best practices between Member States, for instance to increase labour market participation rates, most notably in the over 55-age group, which vary widely between Member States;

Initiative 10

16. Welcomes the exchange of experiences and identification of good practices concerning individual pension statements, which might be relevant to the 1st, 2nd or 3rd pillars;

17. Notes that, when systems for pension statements are fully developed, people should ideally have access to full information about all individual entitlements within all three pillars in one place, such as a coordinated web portal;

18. Recalls that public pension systems are the only ones that rely on inter- and intra-generational solidarity;

19. Believes that public pension systems are those most capable of ensuring the income of

pensioners;

20. Deeply regrets that the White Paper does not address the fundamental concern of strengthening public pensions systems;

21. Welcomes the EESC recommendation to develop standards on minimum pensions or pension income protection mechanisms in the future legislation in order to provide income above the poverty threshold;

22. Is of the opinion that the financial transactions tax can provide an innovative answer to funding pensions in the long term;

2nd pillar: Occupational pensions

23. Refers with the following key statements to initiatives 10, 11, 12, 14 and 17, which concern second pillar pensions;

24. Emphasises that second-pillar pension funds are important long-term investors in the real economy; invites the Commission to take stock of the cumulative effects of financial market legislation (e.g. EMIR, MiFID, CRDIV) on second-pillar pension funds and their ability to invest in the real economy, and to report on this in its forthcoming Green Paper on Long Term Investments;

25. Stresses that 2nd pillar systems must be secure and transparent, ensure solidarity between generations and reflect modern work patterns; notes that in some Member States employers already support their pension schemes through protection schemes, segregation of assets, independent governance of schemes and priority creditor status of pension schemes ahead of shareholders in case of company insolvency;

26. Considers that ensuring that European 2nd pillar systems comply with robust prudential regulation is key to achieving a high level of protection for members and beneficiaries and to respecting the G20 mandate according to which all financial institutions shall be subject to proper regulation and adequate supervision;

27. Stresses that there are considerable differences between the Member States in terms of the composition of the 2nd pillar and its providers; notes that in some Member States work-related pensions are mainly included in the first pillar; clarifies that EU regulatory work concerning precautionary measures should, if at all, be explored with regard to possible benefits in terms of improving safety and provision, facilitating cross-border activity and encouraging free movement of workers;

28. Stresses that the aim of the review of the IORP Directive should be to keep occupational pensions across Europe adequate, sustainable and safe by creating an environment that stimulates further national and internal market progress in this field, by providing enhanced protection to current and future pensioners, and by adapting in a flexible way to the considerable cross-border and cross-sector diversity of existing schemes;

29. Demands that EU legislative initiatives should respect the choices made by Member States with regard to the providers of second pillar pensions;

Initiative 11

30. Stresses that any further EU regulatory work concerning precautionary measures must be built on a solid impact analysis which should include the provision that similar products be subject to the same prudential standards, adequate provisioning and worker mobility within the Union, and should have the overall aim of safeguarding the accumulated entitlements of employees; stresses that any further EU regulatory work on precautionary measures must be also built on an active dialogue with social partners and other stakeholders and on a genuine understanding of and respect for national specificities; emphasises that pension systems are deeply embedded in the cultural, social, political and economic circumstances of each Member State; stresses that all 2nd pillar pension providers, whatever their legal form, should be subject to proportionate and robust regulation that takes into account the characteristics of their business, particularly with a long-term focus;

31. Insists that 2nd pillar pensions, regardless of their providers, should not be jeopardised by EU regulation that does not take into account their long-term horizon;

32. Considers that Commission proposals regarding precautionary measures must not only identify and take into account the differences between national systems, but also apply the principle of ‘same risk, same rules’ within each national system and respective pillar; stresses that the measures must comply strictly with the principle of proportionality in terms of weighing aims and benefits against the financial, administrative and technical burden involved and consider the right balance between costs and benefits;

33. Considers with regard to qualitative precautionary measures that proposals concerning strengthened corporate governance and risk management and those regarding enhanced transparency and information disclosure obligations, as well as the disclosure of costs and transparency of investment strategies, are useful and should be put forward in the framework of any review, subject to the principles of subsidiarity and proportionality being respected; notes that, given the considerable differences between Member States, convergence of qualitative precautionary measures at EU level is in the short term more feasible than the convergence of quantitative precautionary measures;

34. Is not convinced, given the information available at this point in time, that Europe-wide requirements concerning own capital or balance-sheet valuation would be appropriate; rejects, in line with that rationale, any review of the Pension Funds Directive (the IORP Directive) which aims to achieve this; believes, however, that the Quantitative Impact Study (QIS) currently being carried out by EIOPA, as well as possible follow-up analyses to that study, should be fully taken into account in this policy context; emphasises that if such requirements were later to be introduced, direct application of Solvency II requirements to IORPs would not be the right instrument;

35. Points out that the Pension Funds Directive applies only to voluntary pension schemes and does not cover any instruments that are part of the compulsory public pension scheme;

36. Emphasises that there are crucial differences between insurance products and IORPs; stresses that any direct application of quantitative Solvency II requirements to IORPs would be inappropriate and could potentially be harmful to the interests of both employees

and employers; opposes therefore the copy-paste application of Solvency II requirements to IORPs, while remaining open to an approach seeking security and sustainability;

37. Stresses that the social partners (i.e. employers and employees) have a shared responsibility for the content of occupational pension arrangements; emphasises that contractual agreements between social partners need to be recognised at all times, in particular with regard to the balance between risks and rewards that an occupational pension scheme aims to achieve;

38. Considers the further development at the EU level of solvency models, such as the Holistic Balance Sheet (HBS), to be useful only if their application, on the basis of solid impact analysis, proves to be realistic in practical terms and effective in terms of costs and benefits, particularly given the diversity of IORPs within and across Member States; emphasises that any further development of variations of Solvency II or HBS must not aim to introduce Solvency II-style provisions;

39. Notes a large variety in the design of pension plans, varying from defined benefit (DB) to defined contribution (DC) or mixed schemes; notes also a shift from DB schemes to DC schemes or the establishment of mandatory funded pillars in some Member States; stresses that this increases the need for more transparency and better information provision to citizens regarding the promised benefits, cost levels and investment strategies;

40. Points out that the idea of establishing equal competition between life insurance and IORPs in the 2nd pillar is relevant only to a certain extent, given the crucial differences between insurance products and IORPs and depending on the risk profile, the degree of integration in the financial market and the for-profit or non-profit character of any particular provider; recognises that given the competition between life insurance and IORPs in the 2nd pillar, it is essential that products with the same risks be subject to the same rules to avoid misleading beneficiaries and to provide them with the same level of prudential protection;

Initiative 12

41. Believes that, in the event of insolvency, entitlements under Article 8 of Directive 2008/94/EC must be consistently safeguarded in the Member States;

42. Calls on the Commission to carry out a comprehensive overview of national guarantee schemes and measures and, if major inadequacies are identified in that assessment, to make enhanced EU proposals in order to ensure that fully reliable mechanisms for simple, cost-effective and proportionate protection of occupational pension rights are put in place throughout the EU;

43. Emphasises that issues regarding pension protection in case of insolvency are closely related to key aspects of the IORP review; stresses that the Commission, in developing these two directives, should ensure that they are made congruent and fully compatible;

Initiative 14

44. Welcomes the development of a code of good practice in the field of occupational pension schemes, which aims to give an overview of reliable procedures and proposals regarding guarantee schemes and measures; calls on the Commission to properly coordinate this work with relevant reviews and initiatives;

45. Emphasises that the gender aspect also needs to be specifically addressed in this context, given the problematic fact that women presently have more limited opportunities than men to accumulate adequate occupational retirement savings;

46. Welcomes the Commission's intention to promote the development of pension tracking services in all Member States; stresses – given the current trend of employees changing jobs more frequently than in the past – that such services will become more and more important for people to get a proper overview of total entitlements and to make rational decisions on pensions-related matters;

47. Notes that, when fully developed, pension tracking services should ideally cover not only occupational pensions, but also 3rd pillar schemes and individualised information on 1st pillar entitlements;

Initiative 17

48. Welcomes the establishment of pension tracking services for the 1st and 2nd pillars in Member States; welcomes also the discussion of – and the Commission's intention of starting a pilot project on – the establishment of cross-border pension tracking services for the 2nd pillar to make it easier for workers to move between Member States without losing track of their pension rights; emphasises that citizens need high quality information from all pension schemes (pillars 1, 2 and 3) so that they can plan their retirement savings and consider taking up supplementary pensions; encourages the Commission to facilitate the exchange of current best practices in Member States and to promote the development of cross-border pension tracking services;

49. Notes that, according to the OECD, there is a lack of mobility between the Member States and that only 3% of working-age EU citizens live in another Member State;1 believes however that the lack of legal certainty for the transfer of pension rights constitutes one obstacle to labour mobility in Europe;

50. Notes that cross-border mobility is not only a fundamental right for EU citizens, but also a crucial factor in making the internal market and the European economy work as efficiently as possible; stresses that a key aim of EU activities in the field of pensions should be to remove the remaining obstacles to such mobility;

51. Emphasises the need to broaden the base by opening schemes;

52. Welcomes the Commission's intention to promote efficient cross-border pension tracking services; stresses that the development of cross-border pension tracking services – which would make it much easier for citizens working in different Member States during their

[1] OECD (2012), "Mobility and migration in Europe", p. 63. In: OECD Economic Surveys: European Union 2012, OECD Publishing.

career to keep track of and to claim all their accumulated pension entitlements – should be promoted as a matter of priority; emphasises that cross-border pension tracking services should be extremely efficient, legally and administratively small-scale and highly cost-effective;

<u>3rd pillar: Private pension savings</u>

53. Refers with the following key statements to initiatives 9, 10, 13, 18, 19 and 20, which refer to the 3rd pillar;

54. Finds that the meaning, scope and composition of the 3rd pillar is different in the individual Member States;

55. Stresses that maintaining appropriate provision in the 1st pillar, with its principles of solidarity and adequate protection for all, should be the number one priority in the Member States; stresses that the 3rd pillar can play a supplementary role as the demographic pressure decreases; rejects all measures which detract from the 1st pillar in favour of the 2nd or 3rd pillar;

56. Regrets that 3rd pillar systems are most often more cost-intensive, more risky and less transparent than 1st pillar systems; calls for stability, reliability and sustainability for the 3rd pillar;

57. Notes that in some Member States, 3rd pillar pensions are available only to people whose income is sufficient for them to pay contributions; calls therefore for the acceptance of people with low or mid-range incomes in the 3rd pillar, and for their access to that pillar, to be reinforced;

58. Stresses that the Commission did not make clear in its Green Paper what the legal basis for the planned regulations in the 3rd pillar will be, which it considers to be a fundamental omission;

Initiative 9

59. Recalls, with regard to Initiative 9, the need for unconditional adherence to the principle of subsidiarity;

60. Considers that in certain cases private pension savings could be necessary to build up an adequate pension; encourages the Commission to cooperate with Member States on the basis of a best practices approach and assess and optimise incentives for private pension savings, in particular for individuals who otherwise would not build up an adequate pension;

61. Regards an evaluation of reliable procedures and proposals to optimise incentives as worthwhile;

62. Emphasises that the key priority of public policy should not be to subsidise 3rd pillar schemes, but to make certain that everyone is adequately protected within a well-functioning and sustainable 1st pillar;

63. Calls on the Commission to investigate the vulnerability of 3rd pillar systems to crises and to put forward proposals to reduce the risk;

64. Recommends that the legal cost limits at national level for contract conclusion and management, change of provider or change of contract type be investigated and that proposals be made in this regard;

65. Considers that codes of conduct with regard to quality, information provision to consumers and consumer protection in the 3rd pillar could increase the attractiveness of 3rd pillar pension plans; encourages the Commission to facilitate the exchange of current best practices in Member States;

Initiative 13

66. Supports the elaboration and establishment of EU-level voluntary codes of conduct – and possibly also product certification schemes – with regard to quality, information provision to consumers and consumer protection in the 3rd pillar; should the voluntary codes of conduct not prove successful, recommends that Member States assume regulatory tasks in these areas;

67. Calls on the Commission to look into ways to make better use of EU financial sector legislation when it comes to ensuring that consumers are given accurate and unbiased financial advice on pension and pensions-related products;

Initiative 18

68. Calls on the Commission and the Member States concerned to reach agreement, especially on how to avoid double taxation and double non-taxation in the field of cross-border pensions;

69. Regards discriminatory taxes as a major barrier to cross-border mobility and calls for their swift withdrawal, while noting limited EU competence in the area of Member State tax policy;

Initiative 19

70. Is of the view that contract law obstacles should be investigated;

71. Calls on the Commission to involve social partners in an appropriate way by means of the structures available;

Initiative 20

72. Stresses that unsustainable 1st pillar systems pose a major threat to national budgets;

73. Stresses the importance of using a uniform methodology to calculate the long-term sustainability of public finances and the share therein of pension-related obligations;

74. Calls on the Member States, inter alia on the basis of the 2012 Pension Adequacy Report, to intensify their work on preventing old-age poverty; points out that if bold action is not

taken on strengthening pensions systems in this regard, the Europe 2020 goal on poverty and social exclusion will probably not be reached;

75. Stresses that a key to building more sustainable and adequate pension systems is to focus on eradicating inequalities between women and men; emphasises that enhanced measures have to be taken in all Member States in this regard, for example when it comes to promoting equal pay, fighting gender-based discrimination, granting pension credits to caring for children and the elderly, reducing the incidence of involuntary part-time work, and improving work and pension conditions in precarious jobs.

RESULT OF FINAL VOTE IN COMMITTEE

Date adopted	26.2.2013
Result of final vote	+: 44 –: 1 0: 0
Members present for the final vote	Burkhard Balz, Elena Băsescu, Jean-Paul Besset, Sharon Bowles, Udo Bullmann, Nikolaos Chountis, George Sabin Cutaş, Leonardo Domenici, Derk Jan Eppink, Diogo Feio, Markus Ferber, Elisa Ferreira, Ildikó Gáll-Pelcz, Jean-Paul Gauzès, Sven Giegold, Sylvie Goulard, Liem Hoang Ngoc, Gunnar Hökmark, Syed Kamall, Othmar Karas, Wolf Klinz, Rodi Kratsa-Tsagaropoulou, Philippe Lamberts, Werner Langen, Astrid Lulling, Hans-Peter Martin, Arlene McCarthy, Sławomir Nitras, Ivari Padar, Alfredo Pallone, Antolín Sánchez Presedo, Olle Schmidt, Peter Simon, Theodor Dumitru Stolojan, Ivo Strejček, Sampo Terho, Marianne Thyssen, Corien Wortmann-Kool, Pablo Zalba Bidegain
Substitute(s) present for the final vote	Pervenche Berès, Sari Essayah, Sophia in ‘t Veld, Olle Ludvigsson, Thomas Mann, Nils Torvalds, Roberts Zīle
Substitute(s) under Rule 187(2) present for the final vote	Alejandro Cercas