

# EU GREEN PAPER ON PENSIONS

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# AGENDA

- Introduction
- Content of the Green Paper
- Questions raised in Green Paper
- Responses to the Green Paper
- Follow-up



# Introduction

- The role of the EU in pensions: IORP Directive
- Why has the European Commission launched the Green Paper
- How does the consultation work?
- Main issues up for discussion

*Green Paper does not suggest that there is one 'ideal' one-size-fits-all pension system design*

# Content of the Green Paper

- Key challenges
- Priorities for modernising pension policy in the EU
- Improving EU statistics on pensions
- Enhancing governance of pension policy at EU level

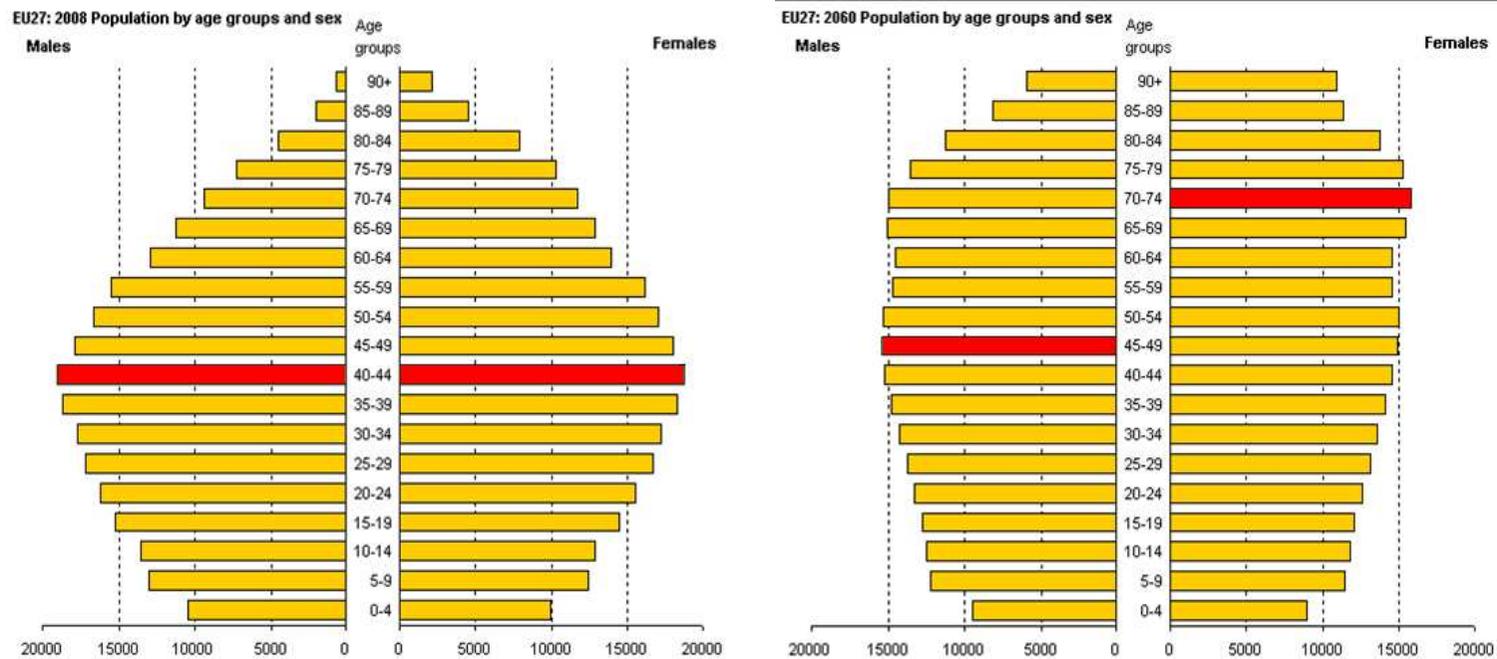
# Green Paper

## *KEY CHALLENGES*

- Demographic aging
- Changes in pension systems
- Impact of the financial and economic crisis

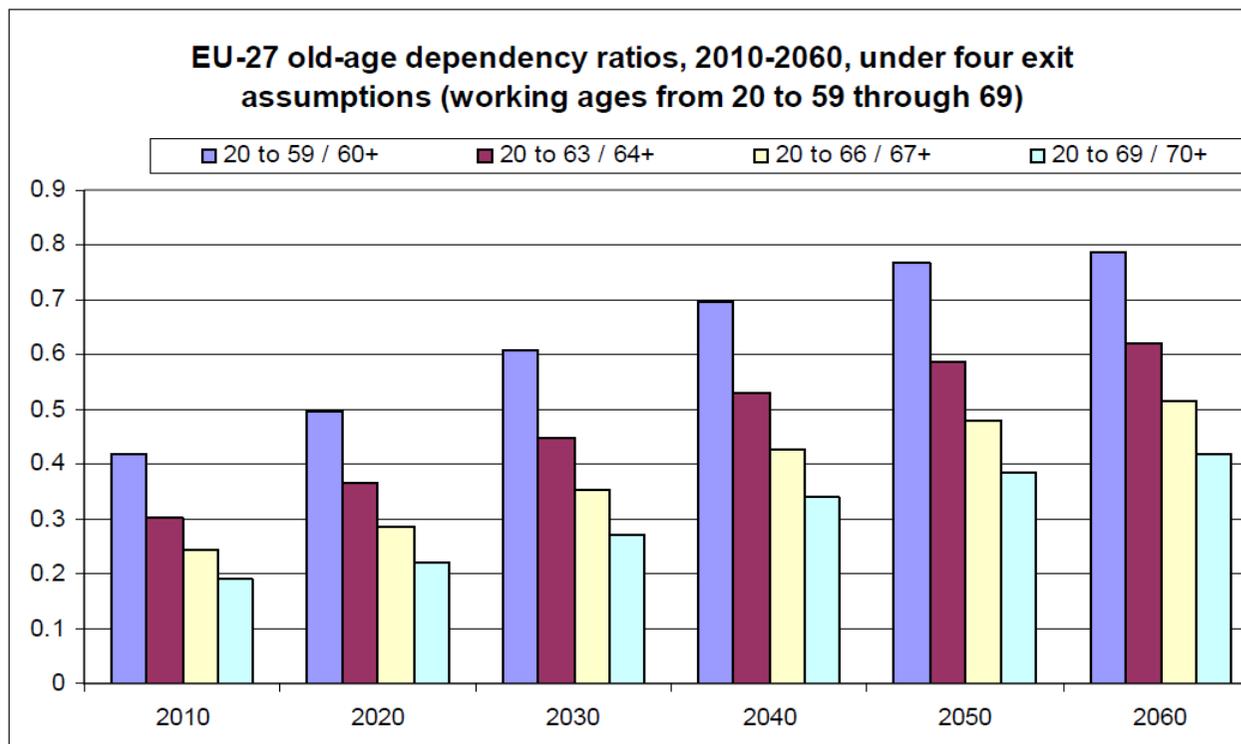
# Green Paper

## Demographic structure of the population in 2008 and 2060



Note: the red bar indicates the most numerous cohort

# Green Paper



Source: Eurostat, Population Projections, 2008 data.

# Green Paper

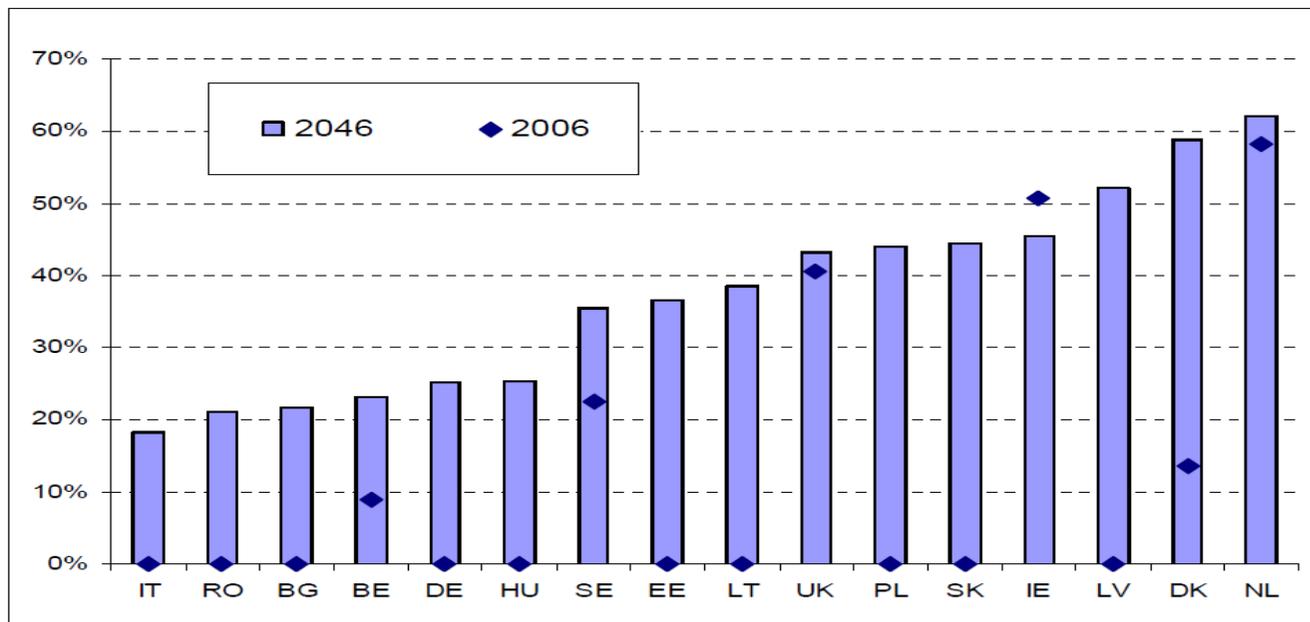
## KEY CHALLENGE: changes in pension systems (1)

Trends have been:

- Encourage people to work more and longer to obtain similar entitlements as before
- Move from largely single to multi-tiered systems
- Measures to address adequacy gaps
- Measures to fund the gender gap

# Green Paper

Share of occupational and statutory funded pensions in total gross theoretical replacement rates in 2006 and 2046 in selected Member States



Note: data available only for a number of Member States

# Green Paper

## KEY CHALLENGE: changes in pension systems (2)

- Reforms were aimed to deliver adequate pensions in a sustainable manner
- Reforms give rise to greater individual responsibility for outcomes
- Member States may want to address outstanding issues such as minimum pensions, coverage of atypical workers and crediting of involuntary employment breaks

# Green Paper

## KEY CHALLENGE: impact of the financial and economic crisis

- More pressing need to address adequacy gaps
- More pressing need to improve sustainability of public finances
- Increased emphasis on raising effective retirement ages
- Need to revisit regulation of funded pension schemes

# Green Paper

## Priorities for modernising pension policy in the EU

- Overarching objectives: adequacy and sustainability
- Balance between time spent in work and in retirement
- Removing obstacles to mobility in the EU
- Safer, more transparent pensions with better awareness and information

# Content of the Green Paper

## Standard pension eligibility age and average labour market exit age in EU-27

Member State	Average exit age from the labour force in 2001	Average exit age from the labour force in 2008	Statutory retirement age for M/W in 2009	Statutory retirement age for M/W in 2020	Further increases in the statutory retirement age for M/W after 2020
Belgium	56.8	61.6*	65/65	65/65	
Bulgaria	58.4	61.5	63/60	63/60	
Czech Republic	58.9	60.6	62/60y8m	63y8m/63y4m	65/65
Denmark	61.6	61.3	65/65	65/65	67+/67+***
Germany	60.6	61.7	65/65	65y9m/65y9m	67/67
Estonia	61.1	62.1	63/61	63/63	
Ireland	63.2	64.1**	65/65	65/65 (66/66)	(68/68)
Greece	61.3°	61.4	65/60	65/60	65/65
Spain	60.3	62.6	65/65	65/65	
France	58.1	59.3	60-65	60/60	
Italy	59.8	60.8	65/60	65/60****	***
Cyprus	62.3	63.5*	65/65	65/65	
Latvia	62.4	62.7	62/62	62/62	
Lithuania	58.9	59.9**	62y6m/60	64/63	65/65



# Content of the Green Paper

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Member State	Average exit age from the labour force in 2001	Average exit age from the labour force in 2008	Statutory retirement age for M/W in 2009	Statutory retirement age for M/W in 2020	Further increases in the statutory retirement age for M/W after 2020
Luxembourg	56.8	:	65/65	65/65	
Hungary	57.6	:	62/62	64/64	65/65
Malta	57.6	59.8	61/60	63/63	65/65
Netherlands	60.9	63.2	65/65	65/65 (66/66)	(67/67)
Austria	59.2	60.9*	65/60	65/60	65/65
Poland	56.6	59.3*	65/60	65/60	
Portugal	61.9	62.6*	65/65	65/65	
Romania	59.8	55.5	63y8m/58y8m	65/60 (65/61y11m)	(65/65)
Slovenia	56.6°	59.8**	63/61	63/61 (65/65)	
Slovakia	57.5	58.7*	62/59	62/62	
Finland	61.4	61.6*	65/65, 63-68	65/65, 63-68	
Sweden	62.1	63.8	61-67	61-67	
United Kingdom	62.0	63.1	65/60	65/65	68/68
EU 27 average	59.9	61.4			

# Green Paper

## *Safer, more transparent pensions with better awareness and information*

- Trend towards DC schemes is continuing: is current EU regulation sufficient?
- Reassessment of the IORP Directive may be required in areas such as:
  - Governance
  - Risk management
  - Safekeeping of assets
  - Investment rules and disclosure

# Green Paper

## Improving EU statistics on pensions

- Streamlining data about pension systems to increase comparability and make cost savings
- EU citizens would benefit from accurate statistics about their retirement income
- Monitoring of implicit liabilities could be strengthened

# Green Paper

## Enhancing governance of pension policy at EU level

- Europe must define a strategy to deliver adequate, sustainable and safe pensions
- Member States are responsible for design and organisation of their pension systems
- EU strategy should contribute with measures as surveillance, coordination and mutual learning
- EU should offer support to national reform efforts

# Questions raised in Green Paper

## Priorities for modernising pension policy in the EU (1)

- How can the EU support Member States' efforts to strengthen the adequacy of pension systems?
- Should the EU seek to define better what an adequate retirement income might entail?
- Is the existing pension framework at the EU level sufficient to ensure sustainable public finances?

# Questions raised in Green Paper

## Priorities for modernising pension policy in the EU (2)

- How can higher effective retirement ages best be achieved and how could increases in pensionable ages contribute?
- Should automatic adjustment mechanisms related to demographic changes be introduced in pension systems? What role can the EU play in this regard?
- In which way should the IORP Directive be amended to improve conditions for cross-border activity?

# Questions raised in Green Paper

## Priorities for modernising pension policy in the EU (3)

- What should be the scope of schemes covered by EU level action on removing obstacles for mobility?
- Does current EU legislation need reviewing to ensure a consistent regulation and supervision of funded pension schemes and products?
- What should an equivalent solvency regime for pension funds look like?

# Questions raised in Green Paper

## Priorities for modernising pension policy in the EU (4)

- Is there a case for modernising the current minimum information disclosure requirements for pension products (e.g. in terms of comparability, standardisation and clarity)?
- Should the EU develop a common approach for default options about participation and investment choice?

# Responses to the Green Paper

Business organisation	65	4,3%
Individual	1234	82,1%
Member State	7	0,5%
Non-governmental organisation	58	3,9%
Other organisation	65	4,3%
Other public authority	9	0,6%
Special partner organisation	65	4,3%
<b>TOTAL</b>	<b>1503</b>	

Written responses	171	10,2%
<b>TOTAL</b>	<b>1674</b>	

# Follow-up

- Summary of responses is being prepared and will soon be published
- Possible next steps:
  - White paper
  - Separate initiatives on issues where already some work has been done
  - Initiatives on issues raised in the consultation
  - Review of IORP Directive ?

**FINALLY**

**QUESTIONS??**

