EU GREEN PAPER ON PENSIONS

ANKARA, March 9, 2011

Leendert van Driel
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
Demographic structure of the population in 2008 and 2060

Note: the red bar indicates the most numerous cohort
EU-27 old-age dependency ratios, 2010-2060, under four exit assumptions (working ages from 20 to 59 through 69)

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**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
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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
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.
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**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
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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**

<table>
<thead>
<tr>
<th>Member State</th>
<th>Average exit age from the labour force in 2001</th>
<th>Average exit age from the labour force in 2008</th>
<th>Statutory retirement age for M/W in 2009</th>
<th>Statutory retirement age for M/W in 2020</th>
<th>Further increases in the statutory retirement age for M/W after 2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Belgium</td>
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<td>62/60y8m/63y4m</td>
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<td>65y9m/65y9m</td>
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<td>64.1**</td>
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<td>62y6m/60/60</td>
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<td>EU 27 average</td>
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</table>
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
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?
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

<table>
<thead>
<tr>
<th>Category</th>
<th>Responses</th>
<th>Percentage</th>
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<td>Business organisation</td>
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<tr>
<td>Individual</td>
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<td>Written responses</td>
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</tbody>
</table>
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??