



EU Pension Agenda

Presentation from DG Employment, Social Affairs and
Inclusion, European Commission

Screening meeting on Chapter 19 - Social policy and employment

Brussels 11 Feb. 2014

**DG EMPL-D3 / Unit 'Social
Protection and Activation Systems'**



Pensions White Paper: recap

- ✓ *White Paper "An Agenda for Adequate, Safe and Sustainable Pensions" published in February 2012*
- ✓ *Suggested how to maintain adequate and sustainable pensions against a background of ageing and fiscal constraints by:*
 - ✓ **Balancing time spent in work and retirement**
 - ✓ **Developing complementary private retirement savings**
 - ✓ **Enhancing the EU's monitoring tools on pensions and strengthening synergies across policy areas**
- ✓ *Put forward a range of concrete policy measures*



WP follow-up: selected measures

- ❑ *Pensions Adequacy Report 2012 (2015 to come)*
- ❑ *European Semester: CSRs, thematic fiche*
- ❑ *Directive on the acquisition and preservation of supplementary pension rights re-launched and agreed in Council (potential adoption in 2014)*
- ❑ *Study on Gender Gap in Pensions (June 2013)*
- ❑ *Stakeholder consultation on consumer protection in third-pillar retirement products*
- ❑ *Grants on cross-border tracking and pension modelling awarded*
- ❑ *Code of good practise for occupational pension schemes: working group in progress*



Annual Growth Survey 2013

- ✓ *Look at the overall efficiency and effectiveness of spending*
- ✓ *Modernise social protection systems to ensure their effectiveness, adequacy and sustainability*
- ✓ *Reform healthcare systems to ensure cost-effectiveness and sustainability, assessing their performance against the twin aim of a more efficient use of public resources and access to high quality healthcare*

AGS 2013 II

- ✓ *Reforms of pension systems should be stepped up to:*
 - ✓ **align retirement age with life expectancy;**
 - ✓ **restrict access to early retirement schemes;**
 - ✓ **enable longer working lives.**
- *"Encouraging the early retirement of older workers in the hope that young people will be recruited in their place is a policy that has proven largely ineffective and very costly in the past, and should not be repeated."*

AGS 2013: macro-economic report

MACRO-ECONOMIC REPORT

- **Linking** retirement age to life expectancy stabilises the balance between working years and years in retirement - preferably following automatic rules - effective way of reducing longevity risk and addressing sustainability and adequacy concerns, by giving incentives to work longer and thus to accrue higher pension entitlements.
- To contribute successfully to higher effective retirement ages, reforms in pension systems need to be **underpinned** by employment opportunities for older workers, active and healthy ageing and tax and benefit policies giving incentives to stay longer at work and access to life-long learning.



Country-specific recommendations 2013

- ❑ *Workflow:*
 - ❑ **Proposed by the Commission**
 - ❑ **Reviewed by committees (SPC, EMCO, EPC, EFC)**
 - ❑ **Adopted by the Council**
- ❑ *Pensions-related recommendations to 15 countries, mostly on increasing retirement age*
 - ❑ **14 of those also recommended to address employment of older workers**
- ❑ *Recommendations on health and long-term care to 15 countries*

Pension CSRs in detail

- ❑ Increase *retirement age*, link retirement age (or benefits) to changes in life expectancy: **Austria, Belgium, Czech Republic, Spain, Finland, France, Lithuania, Malta, Slovenia (9)**
- ❑ Reduce *early labour market exit*: **Austria, Belgium, Bulgaria, Czech Republic, Finland, Lithuania (6)**
- ❑ Enhance *supplementary savings*: **Lithuania, Malta, Netherlands (3)**
- ❑ Equalise *pensionable ages for women and men*: **Austria, Bulgaria, Romania (3)**
- ❑ Review *indexation* of benefits: **France, Lithuania (2)**
- ❑ Review *special schemes*: **France, Poland (2)**



Directive on acquisition and preservation of supplementary pension rights



Mobile workers' pension rights

Occupational pension rights???

- Increasingly important in retirement provision
 - **White Paper**
- Risks for mobile workers:
 - **Long acquisition periods**
 - **Non-transferable assets**
 - **Erosion of dormant rights' value**
- **Barrier to mobility!**



EU policy response



- 1998: ***Council Directive 98/49/EC***
 - **Equal treatment of workers moving across borders**
- **2005**: proposal for a '**Portability**' directive
- **2007**: **revised proposal** (transfers dropped)
- **2013**: agreement in Council and in trilogue
- **February 2014**: adoption?



The agreed package I: acquisition standards

- **Waiting + vesting period** = max **3 years**
- **Employee contributions** vest **immediately**
- **Minimum age** for vesting = max **21 years**

but

- No limit on minimum age for scheme membership



The agreed package II: preservation standards

- **Right to retain dormant pension rights** in former employer's pension scheme
- Preservation may vary depending on the scheme
 - **E.g. indexation, capital returns...**
- Basic principle: **dormant members** treated on par with **active members**
- **Payment as capital sum** possible subject to:
 - national **ceilings**
 - **informed consent** of the worker



The agreed package III scope of the Directive

Which pension schemes?

- **Schemes linked to employment**, except:
 - Schemes covered by **Regulation 883/04**
 - Closed or insolvent schemes

Which benefits?

- **Old-age**
- **Survivor's** (only for preservation & information)

Which workers?

- Workers **moving between Member States**
 - MS may extend to all workers



The agreed package IV: other provisions

- **Information standards**
 - Impact of mobility on pension rights
- **Non-retroactivity clause**
 - Does not apply to employment periods prior to implementation
- **Autonomy of social partners** respected
 - Provided they ensure equivalent protection
- Transposition period: **4 years**
= 1st half 2018