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### **EUROPEAN PENSION FUNDS CONGRESS, FRANKFURT**

#### **Panel Session: Securing Pension Benefits**

**Willem J. Handels - Consultant Pension Strategy, Shell Pensioenbureau Nederland B.V. & Vice Chairman European Pensions Forum**

1. Employers in Europe recognise the need for an adequate and sustainable system of retirement provision. Retirement provision in Europe is organized in a pillared structure, wherein relevant actors have their own responsibility. The shape of the design however varies considerably and this also applies to the regulatory frameworks, which sometimes have a long history.
2. Depending on the social security provisions for retirement income in a member state, supplementary provision related to occupational activity may be part and parcel of this system and hence part of the employment conditions package. Design and content of supplementary benefits are negotiated between employers and employees within those regulatory frameworks of each member state. Employers in Europe are committed to having their share in the responsibility for occupational retirement benefits, and are taking measures to review their investment strategies, in order to continue to provide sustainable retirement benefits. However, we are convinced that a one size fits all approach for Europe is not feasible or desirable.
3. Any changes to both statutory systems and supplementary retirement schemes at the member state level should be linked to the labour market, in particular the need to increase employment through, for example active labour market policies and flexible working time arrangements. Flexicurity remains the best strategy in this respect, equally in times of economic crisis. BUSINESSEUROPE emphasises that to ensure sustainability in retirement provision, in the context of an ageing population, financing needs to be sustainable. Measures include increasing the employment rate of older workers, by avoiding early retirement schemes and moving statutory retirement age up.
4. Against the background of the economic and financial developments over the last two years, the importance of paying full attention to the long term adequacy and sustainability of the retirement benefits structure has landed full in the spotlight. The long-known development in longevity of the population should also be taken into account, alongside any necessary subsequent review and action. We would like to stress that in the opinion of BUSINESSEUROPE, the European Commission should not push for reform of the European regulatory framework for occupational retirement provision. A broader debate is necessary on the sustainability of retirement benefits in particular in view of the ageing population. It is crystal clear that the long term oriented strategies in retirement provision and the regulatory frameworks of the member states need to be looked at closely in this new context.



Some revisions at national level may be necessary, if appropriate and in consultation with the social partners. The existing arrangements have, so far, limited the impact of the crisis on private pension income for most of those already retired today or retiring shortly, albeit that some may face outcomes below their expectations.

5. Regulators in countries where funded schemes are dominant have taken measures to ease the problems with sharply fallen value of fund assets, e.g. lengthening the period for recovery plans. Funded scheme design may need to be reviewed to increase the ability to cope with risk in the investment and pay out phases in the longer run and to improve the coverage so that they can fully realize their ability to cope with an ageing population. The question of who should carry which proportion of the risk is highly relevant in this context. Another question is, whether the established share of employers and employees in bearing the increased cost of financing the pension promise is still fair and sustainable. One element however still stands firm in BUSINESSEUROPE's view: certain forms of solidarity and collectivity in setting up provisions have proven their strength and should, wherever feasible, be continued. Provision of supplementary pension schemes, connected with employment in a company or sector has an increasing role to play. Where appropriate this should be strongly encouraged.
6. Likewise, pay as you go systems are facing challenges too. One might expect that increasing taxes and social security contributions from a shrinking workforce in order to cover both increasing volumes and longer living beneficiaries may have a political impact, particularly concerning younger generations. This process will therefore require full commitment and full recognition of the challenges to be faced by governments (for the state retirement benefits), from employers and employees for the supplementary pension deal. As emphasized before, measures on the labour market, in particular increasing employment rates are crucial to ensure that the funding ratio between those in employment and those in retirement is maintained.
7. In this context BUSINESSEUROPE would like to repeat the point made at the public hearing on solvency for occupational pension provision in May this year, that a Solvency II structure for supplementary occupational pension schemes is unsuitable and would certainly increase the already significantly risen cost for pension provision to levels that are hard to sustain.
8. I would like to conclude with the following clear messages:
  - A broad discussion assessing the long term adequacy and sustainability of retirement benefit structures could be timely. Flexibility combined with income security in old age is a key issue.
  - Any discussion on pensions must take into account the wider context – the labour market and employment: Increasing employment and extending working life is necessary, both because of financial considerations and the expected tightening of the labour market when the economies catch up again.
  - Supplementary occupational retirement provision is part and parcel of ensuring the sustainability of pension systems. Given the pressure on statutory pension



provision, due to pressure on public financing and an ageing population, it may become more important in the future. Employers have role to play in this.

- Given the differences in the approach to pension provision in the member states, harmonized regulations at EU level are not appropriate.