BUSINESSEUROPE

SPEECH

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BELGIAN PRESIDENCY CONFERENCE: ASSURING ADEQUATE PENSIONS

PANEL DISCUSSION EUROPEAN STAKEHOLDERS

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In the Europe 2020 strategy, ageing is mentioned as one of the three main challenges for the long-term, together with globalisation and the pressure on resources. The demographic situation is one of Europe's structural weaknesses due to the fact that the number of people aged over 60 is increasing very quickly and the fact that the labour market participation rate of this group is very low. In addition, the number of people in retirement is increasing in comparison to the working age population. Coping with the consequences of demographic ageing is even more important because of the economic crisis and its consequences for the budgetary position of member states.

Due to the economic crises public debts have increased. It is an important challenge for the coming years to reduce these debts to ensure the future sustainability of public finances. This is important for the provision of future pensions, in particular the ones that are financed on a pay-as-you-go basis (though funded pensions also have an interest in sound public finances).

Against this background the publication of the EPC/SPC joint report as well as the Commission's Green Paper is of utmost importance.

I don't want to only concentrate on threats. The good news should not be forgotten: we live longer and healthier than ever before. And this development is expected to continue in the years to come. With this fact in mind an extension of working life, as is recommended by EPC/SPC and the Commission, should be easily acceptable. Increasing the pension age is an important instrument, amongst others, to solve the budgetary and labour market consequences of the ageing society. Although we cannot ignore other options, a substantial reduction of pension benefits or a firm increase of contributions will be less attractive alternatives.

We are not only in favour of working longer, but we also want more people to work. With other words we fully support the Europe 2020 target to increase the employment level in the EU to 75%. In order to realize this target it is not only necessary to activate all people who can work to accept a job. But attention should also be given to the right conditions for jobs to be created. Labour markets should be flexible and be modernized according to the flexicurity principles. Companies should be encouraged - instead of discouraged – to hire workers.

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Reforms have to be made in current pension systems in order to make them sustainable and adequate. But what should be the role of the EU? Let me be crystal clear: the design of pension systems is the responsibility of member states and we don't want to change this. Decades ago member states made choices in the way they want to organise their social security system and such a national design with all its peculiarities should be respected. It should not be destroyed by attempts at EU level to harmonize the policies and the legislation on pensions in the EU. The EU can play an important role in encouraging member states to reform their systems and by creating the platform for exchange of good practices. The Open Method of Coordination is the right instrument to do this.

One preliminary remark before I make some comments on the Green Paper. BUSINESSEUROPE will certainly respond to the consultation launched by the Commission but at this moment we are still in the process of discussing the answers with our members. So, for our final answers you will have to wait till we have finalized this process. I will nevertheless give some indications about the direction I personally think we will go in our answers.

The Commission considers amending the IORP Directive to improve the conditions for cross-border activity, because 'first experience' has shown that there are still considerable barriers to cross-border activity. I am not convinced about the obstacles in practice and CEIOPS Occupational Pensions Committee also indicated that there is no need for a change in the legislation. There is indeed diversity in implementation of the Directive but that allows member states to apply the directive in the most appropriate way according to national circumstances.

An important part of the Green Paper refers is removing obstacles between pension schemes to increase mobility. I fully agree that enhancing mobility in the labour market is getting more and more important. It is a key element to ensure economic growth and to improve our competitiveness in the global economy. Workers need, more than in the past, to be able to move from one job to another over the course of their working life. And they should not be hampered in being mobile by the fact that they lose pension rights.

With respect to cross-border mobility it is important to mention that Regulations 883 and 987 apply common rules in the field of social security, including statutory pension schemes. The focus is coordination rather than harmonisation. Any proposal from the Commission to regulate occupational pension schemes will evoke resistance in the member states if it lays down strict obligations regarding the design of pension schemes and investment choices. It would lead to higher costs for running such schemes and – as a consequence – it would have a negative impact on the willingness of companies to provide for such a scheme.

In my view, the EU could through the Open Method of Coordination provide support to member states to balance the needs of pension plan members and providers in ensuring secure and affordable supplementary pensions. This can be done by exchange of good practices, drafting common objectives and/or guidelines.

Furthermore, we agree with the observation that tax rules can be an obstacle to mobility of pensions, highlighted by a number of rulings in the European Court of Justice. Efforts must continue in this area, particularly to address double taxation.

Finally some words about the discussion on additional rules for pension funds. New European solvency rules have been made for insurance companies. These will enter into force in 2012. In 2009 the Commission conducted a consultation on the question whether the same rules should apply for pension funds. In that discussion BUSINESSEUROPE extensively explained why pension funds and insurance companies offering retirement benefits cannot be treated in the same way. Pension funds are specifically associated with a sponsoring employer and don't have to earn a return for their sponsor. They also have additional security mechanisms and longer periods for recovering deficits than insurance based schemes. Additional solvency rules for pension funds are therefore not appropriate or necessary.

To conclude:

On the question whether there is role for the EU to play in order to promote adequate and sustainable pension system in Europe, my answer is yes. The EU should, through the Open Method of Coordination, intensify its support to member states to implement reforms in their statutory and occupational pension schemes to make them adequate and sustainable.

The Commission should be very reticent in using legislative instruments. It would decrease the room for manoeuvre and therefore the flexibility of the pension actors in the member states. It will easily lead to extra costs and could therefore jeopardize the willingness to maintain/preserve a pension provision.