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### EUROPEAN FORUM FOR MANUFACTURING “SUSTAINABLE PENSIONS FOR EUROPE”

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#### 1. *Positive development towards multi-pillar pension system*

- Whilst the balance of different pillars within the pension system is a decision for individual member states and social partners, diversification of sources of retirement income, including PAYG but also funded schemes, is important in ensuring sustainability and adequacy of the pension system.
- An important part of retirement income is provided by occupational and private pensions in several countries and as state spending comes under increasing pressure, the 2<sup>nd</sup> and 3<sup>rd</sup> pillars will become more important in alleviating some of the burden of demographic change.
- We therefore welcome the recognition by the Commission that ‘complementary retirement savings’ will play a greater role in the future adequacy and sustainability of pension systems. And their intention to further support occupational retirement provision within the overall pension system of member states.
- This also enhances shared responsibility for retirement provision and the risks involved between government, employers and individual citizens/employees.

#### 2. *Employer commitment continues to be strong*

- Employers are committed to providing adequate occupational pensions for previous, current and future employees.
- This engagement of employers is highly socially desirable and should be considered as part of an employee’s compensation and benefits package.
- However, this is only possible if occupational pension schemes remain cost-effective.

#### 3. *Serious concerns of business over proposals on occupational pensions*

- This is why we are so concerned about some of the commission’s proposals for occupational pensions. In particular, maintaining a level playing field between Solvency II and the IORP Directive, is unjustified and would considerably raise the cost for employers to provide such schemes to employees. This would ultimately lead companies to stop offering such schemes to their employees and close them to new entrants. This would damage the adequacy of pension provision across the EU and in many cases harm systems which work well.
- Such measures are not justified by a need to create a level playing field with insurance provided pension funds, as they operate in different ways. In most cases pension funds do not operate in retail markets and/or are non-profit making



organizations. They are generally provided through an employer or a group of employers in a sector, whereas insurance pension products can also be provided to individuals. Pension funds often have a collective character, for example being subject to a collective agreement.

- In addition, safeguards already exist. In some cases, this includes the possibility for employers to cover underfunding, with recourse where necessary to national guarantee funds. In other cases, pension funds have adjustment mechanisms<sup>1</sup> that are not conceivable in insurance contracts. In other cases, they are subject to a bipartite board and board members are obliged to protect members' benefits and interests.
- There would also be an important wider economic impact. The extra assets that pension schemes would have to hold is likely to force them to move away from investment in equity, starving companies of capital, preventing them from growing their business and creating jobs. Diverting money away from business investment would be detrimental to growth and economic recovery in Europe.

#### **4. Companies in charge of design of pension schemes**

- It is important to recall that the design of pension schemes is not only determined by the national framework; it is also specific to each individual company or sector. It should therefore be managed at that level.
- The EU should avoid regulation that lays down strict obligations regarding the design of pension schemes and the investment choices, as this could limit investment returns. The ability of occupational pension schemes to provide an adequate pension is dependent on the extent to which they are able to make a return on their investment.
- Companies already take measures to deal with the risks associated with both DB and DC schemes, including good governance strategies, guidance and good practice.

#### **5. Importance of information and tracking services across all pillars**

- The EU should encourage member states to ensure better provision of information to individuals for retirement planning, not only on occupational pension schemes, but on the whole pension system.
- Member states should work to increase citizens' understanding of their choices, pension rights and expectations for income in retirement, across all pillars.
- Scheme providers also have a role in providing information, whereby encouragement by member state governments can be helpful.
- Workers moving across borders need to be able to keep track of their pension rights and to understand what pensions and savings they will have in retirement, in which countries, how to access them and how secure they are.
- The EU could therefore usefully promote the development of pension tracking services, including a pilot project on cross-border tracking. Such a service would only be beneficial if it includes both statutory and occupational pension schemes.

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<sup>1</sup> For example, increase of contributions by the sponsoring employer or the workers, temporary or permanent decrease of benefit, renouncing indexation of the benefit