BUSINESSEUROPE

SPEAKING NOTES

26 March 2014

THE FUTURE OF PENSIONS IN EUROPE
26 MARCH 2014
MARKUS J. BEYRER, DIRECTOR GENERAL

PANEL SESSION: THE ROLE OF SUPPLEMENTARY PENSIONS/SAVINGS IN LONG-TERM FINANCING AND SAFE AND ADEQUATE RETIREMENT

KEY MESSAGES:

1. **Message number 1: supplementary pensions and savings provide an important part of retirement income. They are increasingly important given the constraints on public pensions. Occupational and private pensions should be promoted as part of a mix between a first pillar (statutory pensions), a second pillar (occupational pension funds) and a third pillar (individual pension savings via an insurance).**

   In most member states the main part of pension entitlements are from the public pensions but supplementary pensions and savings provide an important part of retirement income in several countries.

   Some kind of voluntary or mandatory participation in an occupational pension scheme exists in around 20 member states.

   This trend is set to increase across the EU in view of demographic change and pressure on state spending.

   Having a mix of sources of retirement income is crucial.

   The balance of different pillars within the pension system is a decision for individuals, member states and social partners.

2. **Message number 2: Employers must not be discouraged from providing second pillar occupational pensions funds. They already contribute to the first pillar (statutory pension systems). The provision of occupational pensions (in most cases) is a choice of the employer (offered as part of an employee´s compensation and benefits package). Employers are committed to providing adequate occupational pensions. However, this commitment will only remain possible if employers are able to provide occupational pensions cost-effectively, especially in present difficult economic circumstances.**

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Measures which would make occupational pensions more costly for employers to provide should be avoided. This would mean they would have less money to invest in growth, job creation and R&D.

3. **Message number 3: Occupational pensions provided through pension funds should be clearly distinguished from insurance provided pension products. Although they operate on the financial market, they should not be treated as purely financial institutions.**

   Occupational pension funds provide pensions for the employees of one employer or of a group of employers in a sector, often as part of a collective agreement, with social partners involved in the governance and having legal obligations to protect members' benefits. This means they are rooted in national social and labour law (and pension savings and individual insurance are not).

4. **Message number 4: Pension funds also play a key role in financing growth. They are an important source of capital for long-term investors such as venture capital and private equity. They must continue to be able to play this role if we want to avoid restricting capital flows to businesses, at a time when the availability of finance is still a problem. And increasing capital requirements by mechanically extending solvency II rules to apply them to occupational pension funds, regardless of what is necessary for pension safety reasons would be the wrong approach.**

   We welcome the announcement made last year that a proposal for a revision of the Directive on Institutions for Occupational Retirement Provision (IORP Directive) would not include new quantitative capital requirements for IORPs at EU level.

   But we understand that the proposals to be presented tomorrow may include new risk assessment obligations. These must not lead to de facto capital requirements for pension funds.

5. **Message number 5: we will look carefully at any new governance and information provisions of the proposals to revise the IORP Directive to be published tomorrow to check that the specificities of pension funds are taken into account and that any further EU harmonisation measure is justified and provides necessary improvements in a cost-effective way.**

Quite apart from the comment that risk assessment obligation must not lead to de facto higher capital requirements, according to our latest information, it seems that the specificity of pension funds may not be adequately taken into account in the proposals. Occupational pension funds seem to be treated purely as a financial institution from a pure consumer protection angle. The role of social partners and labour law or social security roots are not recognized.

We regret this. If the measures proposed create excessive administrative burdens and costs for pension funds, these would ultimately be borne by the employer providing the pension and/or its employees. And this will have negative consequences for provision of occupational pensions, and therefore the provision of adequate and sustainable pensions overall.