



29 November 2021

Sustaining pension systems in line with employment and demographic trends

- **Pension sustainability is one of the main challenges.** While the duration of working life is increasing, the duration of retirement is expected to grow even faster as life expectancy continues to increase. The challenge is to find progressive, clear and reliable solutions to pensions reforms in all countries that ensure at all times a balance between working life and retirement and to sustain adequate pensions for the next generation.
- **Increasing employment participation of the inactive parts of society, in particular of women and older workers, and an improved EU economic migration policy** will be essential to at least partially compensate for a shrinking working age population caused by demographic trends. Further progress is necessary towards active ageing, and to reduce the over 17 percentage point- employment gap between men and women in Europe (in full time equivalent). Europe should also promote itself as an attractive destination to live and work to the third country talents. That is why employers stand ready to contribute constructively to further discussions on the establishment of an EU Talent Pool.
- **Financing of adequate and sustainable pensions is a joint responsibility.** Employers contribute to mandatory pension schemes. In some Member States employers contribute also to collective retirement schemes for their employees (occupational schemes), which now are by large DC schemes (defined contribution). These schemes can be designed and / or managed by social partners. Individuals should be encouraged to save money for retirement, e.g. by investing in private pension funds.
- Member States should provide financial and regulatory incentives **encouraging social partners to set up collective pension plans** that ensure risk sharing between members, while respecting the autonomous competences of the social partners and the sponsoring companies.
- **Pensions need to follow labour market developments:** the ability of pension systems to cover different types of economic activity (e.g. platform work, gig economy or self-employment) will have significant consequences on the future adequacy of old-age incomes.
- **Supplementary pensions schemes** (e.g. occupational pension schemes, private funds) **need to remain an attractive option for employers** to continue, and when possible reinforce, their contributions to pension adequacy. In many Member States, including those facing the most urgent need of their pension system reform, the coverage of any type of supplementary pensions remains low and the national policy framework in some countries requires important reforms.



- If we want sustainable pensions, it is **essential to create or keep a pension-friendly legal environment** (social and labour law, tax law, prudential law, supervision). This is needed because pension policies can influence people's behaviour toward pension savings for better or worse.
- In some Member States **occupational schemes provide up to half of pension income**. Medium to high supplementary pension coverage is mostly found in countries characterized by an active role of social partners and collective bargaining. The legal and prudential environment should therefore encourage employers and employees making contributions into occupational pension plans and, in doing so, creating or strengthen a pillar pension system which is truly sustainable.
- Member States should reserve **tax and/or financial incentives in both the saving and pay-out phase for supplementary pensions** meeting minimum quality requirements. These incentives should reflect the diversity in characteristics of types of pensions and the related social policy of a Member State.
- **People trust in pension systems is low**. At the same time their understanding of pension systems' architecture and basic financial knowledge are very limited. As a result, **gaining citizens' support for the necessary reforms remains a challenge**; it is also an important success factor. However, it is important not to overestimate the impact of information. There is a trade off between the precision of pension information and its clarity.
- Last but not least, both policy makers and citizens - pensioners of today and those of tomorrow – need to understand **urgency and inevitability of reforms**. Pensions systems shall not be a topic of political games as the consequences of not reforming the systems now will bring serious negative results in the nearest future. Measures aimed at promoting longer professional activity, later withdrawal from the labour market as well as equal conditions in accruing pensions rights should be in the core of each Member State reform agenda.
