

The EU Commission's Green Paper on Pensions goes beyond funding requirements
(Dr Frank Eich, Pension Corporation)

On July 7th the European Commission published its long awaited (and partly previously leaked) Green Paper *Towards adequate, sustainable and safe European pension systems*. Emerging gradually out of the deepest economic and financial crisis in living memory, the European Commission considered it timely to urge for a new public debate on the future of pensions. The European Commission's efforts at restarting this debate should be welcomed, not least as the fiscal deterioration created by the crisis has, on the Commission's own assessment, undone two decades' worth of fiscal consolidation efforts. Fiscal consolidation prior to the full onset of population ageing, which has begun now, was considered to be a key policy response to deal with the fiscal consequences of ageing populations. So, what does it cover?

First, acknowledging that pension policies are the responsibilities of member states, the European Commission asks how the EU can support members' efforts to strengthen the adequacy of their pension systems and whether the current arrangements are sufficient to ensure the long-term sustainability of the public finances. Second, how can member states achieve a sustainable (and acceptable) balance between time spent in work and in retirement? What needs to be done to keep older workers in employment for longer? Could health policies aimed at older workers make a difference? What is the role of the tax system? Would different working arrangements have an effect? What about age discrimination legislation? On a more aggregate level, should the legal retirement age be indexed automatically to changes in longevity – as is already done in some countries - or should it remain at the discretion of future politicians?

Another key area addressed is that of labour and pension mobility across member states. With an increasing number of people (temporarily) crossing borders to take advantage of employment opportunities across the EU, this is certainly an important issue. Much still needs to be done to ensure the full portability of pension entitlements across countries so as to create a level playing field. Last but not least, the question of how to ensure safer and more predictable outcomes from occupational pensions, whether they are of a defined benefit or defined contribution nature. What is the role of minimum disclosure requirements with respect to pension products and is there a case to be made to have a uniform approach for default options about participation and investment choice? With more and more workers members of DC pension schemes, what could be done to ensure the best possible outcomes for them? And what about those in DB pension schemes? Do pension fund members need enhanced protection against corporate insolvency through EU legislation? And within that context, what could be the solvency regime for defined-benefit pension plans in the light of the 2012 Solvency II Directive? The latter point is more or less the only issue, which has been picked up by the British media.

This is a long list of genuinely important issues and the EU Commission does not claim to have all the answers. The challenges and opportunities will vary across the member states – and there will be plenty of disagreement on the right way forward. It is good to see that the Commission is bringing the pensions issue back onto the agenda so soon after the crisis. A debate on pensions is overdue.

The European Commission invites interested parties to submit their own views on the whole range of issues raised in the Green Paper by mid November. You can do so here: <http://ec.europa.eu/yourvoice/ipm/forms/dispatch?form=pensions>