



EUROPEAN COMMISSION
DG Employment, Social Affairs and
Equal Opportunities

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Synthesis Report on Adequate and
Sustainable Pensions

Open Method of Coordination

- Social inclusion, Pensions, Health
- Definition of common objectives and agreed indicators
- National reporting
- Evaluation and synthesis in order to facilitate mutual learning and exchange of good practices
- All this through Social Protection Committee, in link with Economic Policy Committee and Employment Committee

Policy co-ordination... Why?

- Member States depend on each other
- Mutual challenges
- Legitimacy for difficult reforms
- Policy design: learn from each other

And in particular for Pensions

- Right for social policy to intervene in EU financial and employment policies
- Balanced European goals for pension reforms:
Influence also on other
co-ordination processes

Streamlined OMC

1. Three overarching objectives
 - Promote social cohesion and equal opportunities for all through adequate, accessible, financially sustainable, adaptable and efficient social protection systems and social inclusion policies.
 - Interact closely with the Lisbon objectives on achieving greater economic growth and more and better jobs and with the EU's Sustainable Development Strategy.
 - Strengthen governance, transparency and the involvement of stakeholders in the design, implementation and monitoring of policy.
2. Three groups of three objectives, each dedicated to specific strands (inclusion, pensions and health)

Objective: Providing adequate and sustainable pensions

- Adequacy

In the spirit of solidarity and fairness between and within generations, guarantee adequate retirement incomes for all and access to pensions which allow people to maintain, to a reasonable degree, their living standard after retirement.

Objective: Providing adequate and sustainable pensions

- Sustainability

In the context of sound public finances, ensure the financial sustainability of public and private pension schemes, notably by: supporting longer working lives and active ageing; ensuring an appropriate and fair balance of contributions and benefits; and promoting the affordability and ensuring the security of funded and private schemes.

Objective: Providing adequate and sustainable pensions

- Modernisation

Ensure that pension systems are transparent, well adapted to the needs and aspirations of women and men and the requirements of modern societies, demographic ageing and structural change; that people receive the information they need to plan their retirement and that reforms are conducted on the basis of the broadest possible consensus.

Reporting: Strategy reports for pensions

- Spring 2003
Joint report on adequate and sustainable pensions
- 2004
SPC Study: Promoting Longer Working Lives Through Better Social Protection Systems
- 2005
SPC Study: Privately managed pension provision
Joint Social Protection and social inclusion report
- Spring 2006
Report on adequate and sustainable pensions annexed
SPC Study: minimum income provision for elderly
- Spring 2007
Joint social protection and social Inclusion report
- 2007
SPC study: Flexibility in retirement provision and its contribution to longer working lives

Synthesis report on pensions 2006

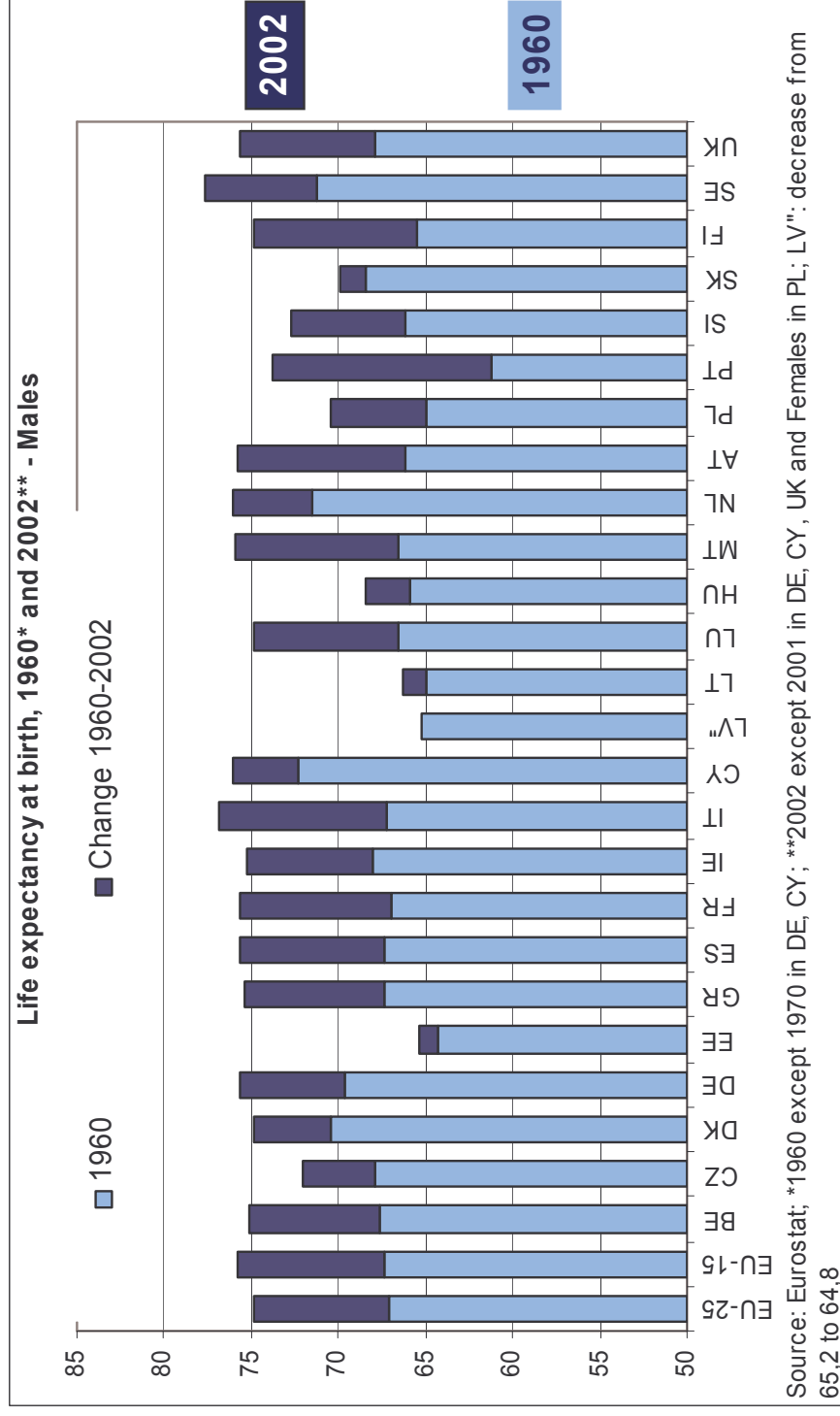
Common policy challenges

- Working longer – labour market reforms
- Strengthening the link between contributions and benefits
- Adjustment to the structural change in society and labour market
- Minimum pensions
- Private pensions: supplement or replace public provision? New tasks for State
- Improved governance

Some key facts:

Trends in life expectancy at birth

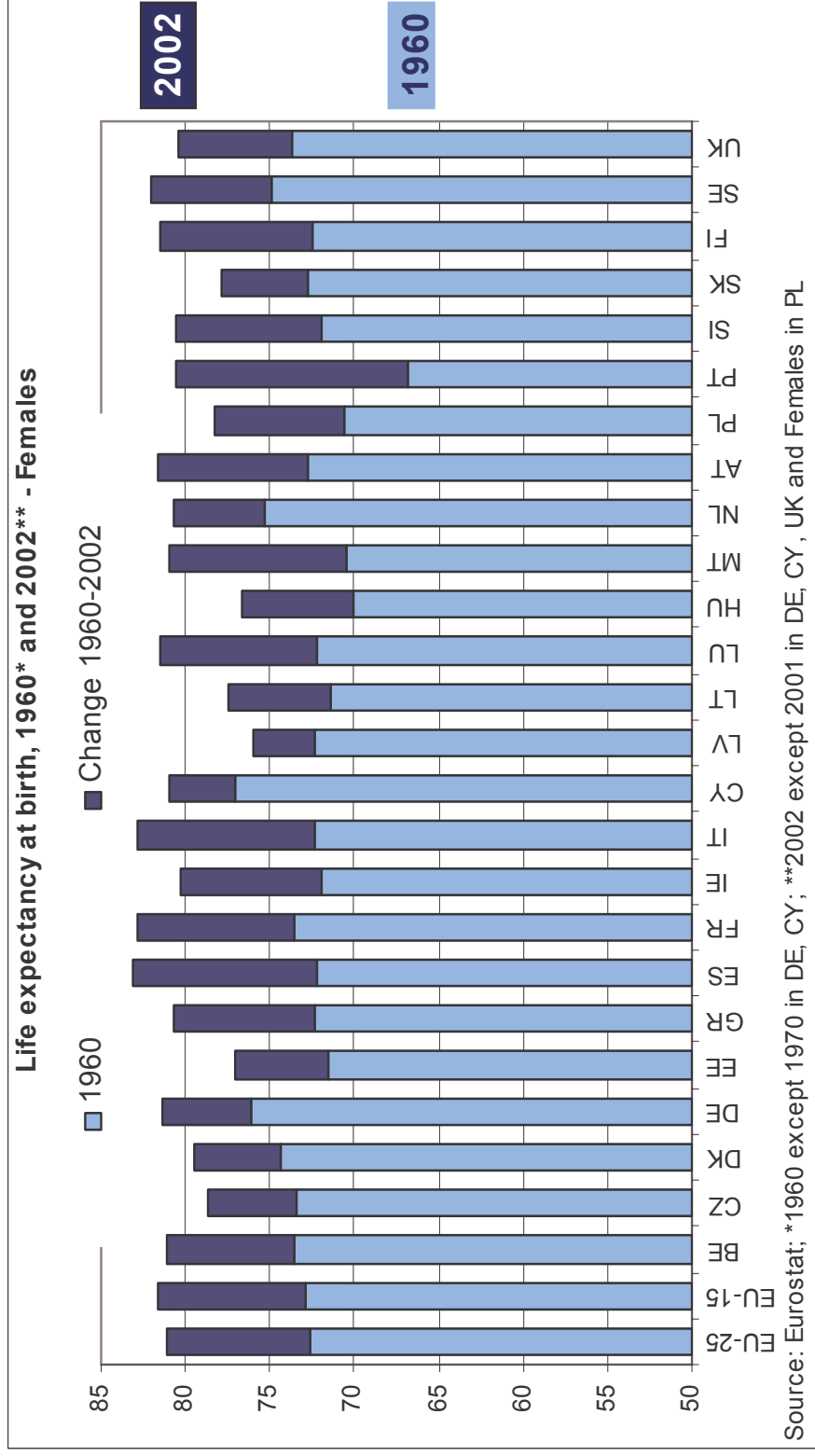
Males



Some key facts:

Trends in life expectancy at birth

Females



Promoting longer working lives

- **A key contribution to both adequacy and sustainability of pensions**
- **A decline in retirement ages in the 70s and 80s accompanied by an increase in the age of entry into the labour market...**
- **... which runs contrary to the substantial increases in life expectancy (observed and projected)**
- **A common challenge : all types of pension provision have to adapt to this trend of increase in life expectancy**

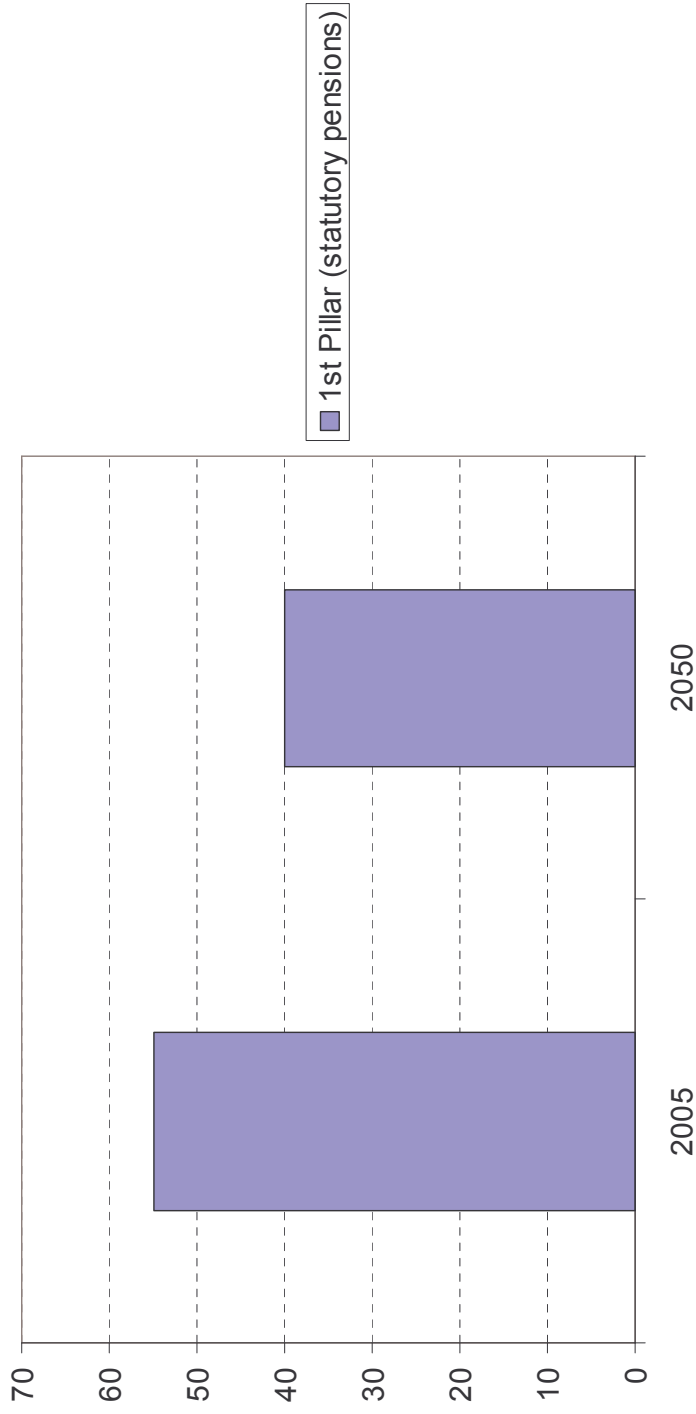
Projected Evolution of Dependency Rates

	2004	2025	2050
Ratio 60+ /20-59	39%	58%	80%
Ratio 65+ /20-64	27%	39%	58%
Ratio 70+ /20-69	18%	25%	40%

Note : EU25. Source : Eurostat 2005 demographic projections.

Trend of replacement rates at a given age

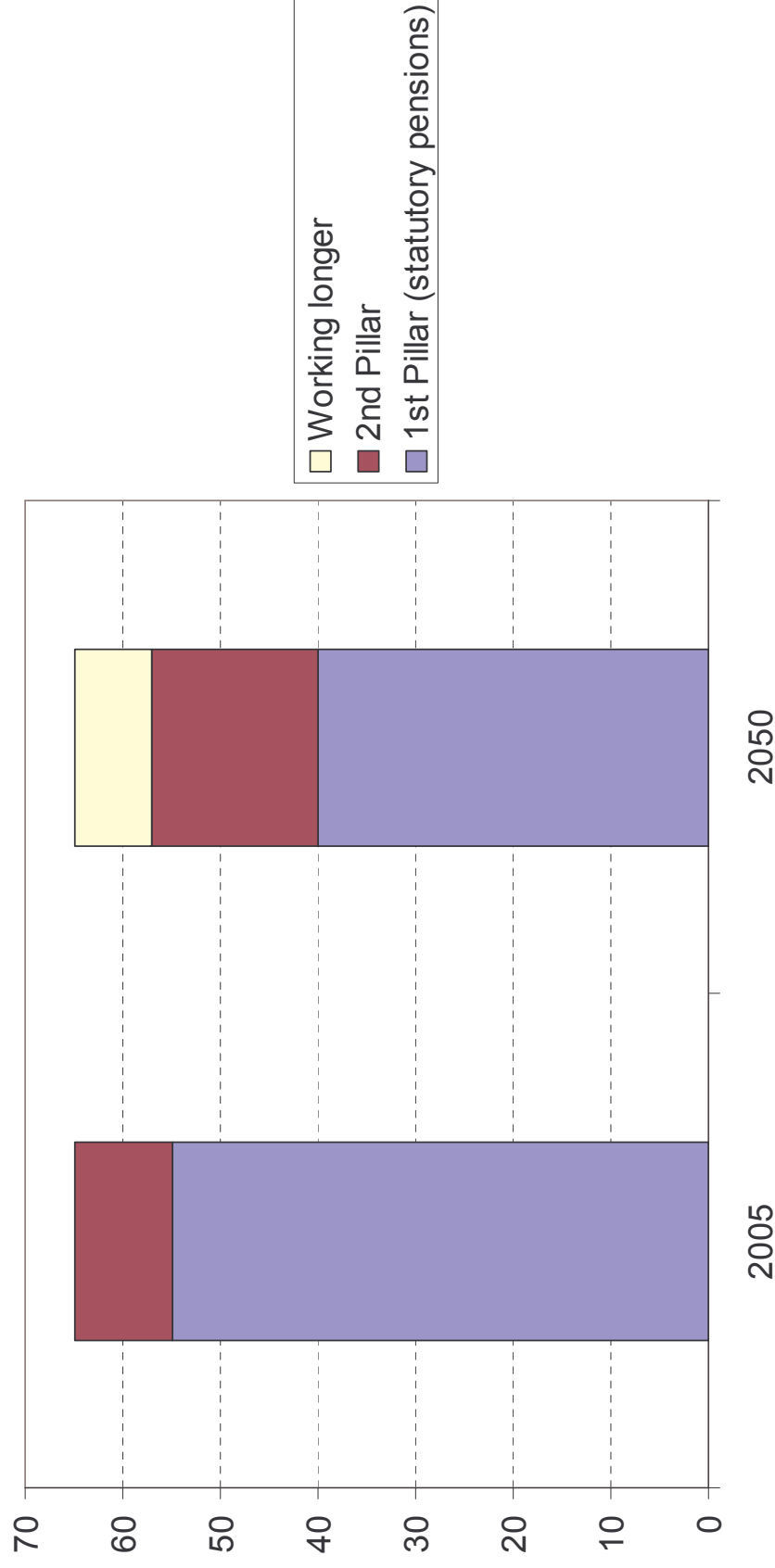
A trend toward a decline in most statutory schemes



Source : Stylised illustration from ISG results on gross replacement rates

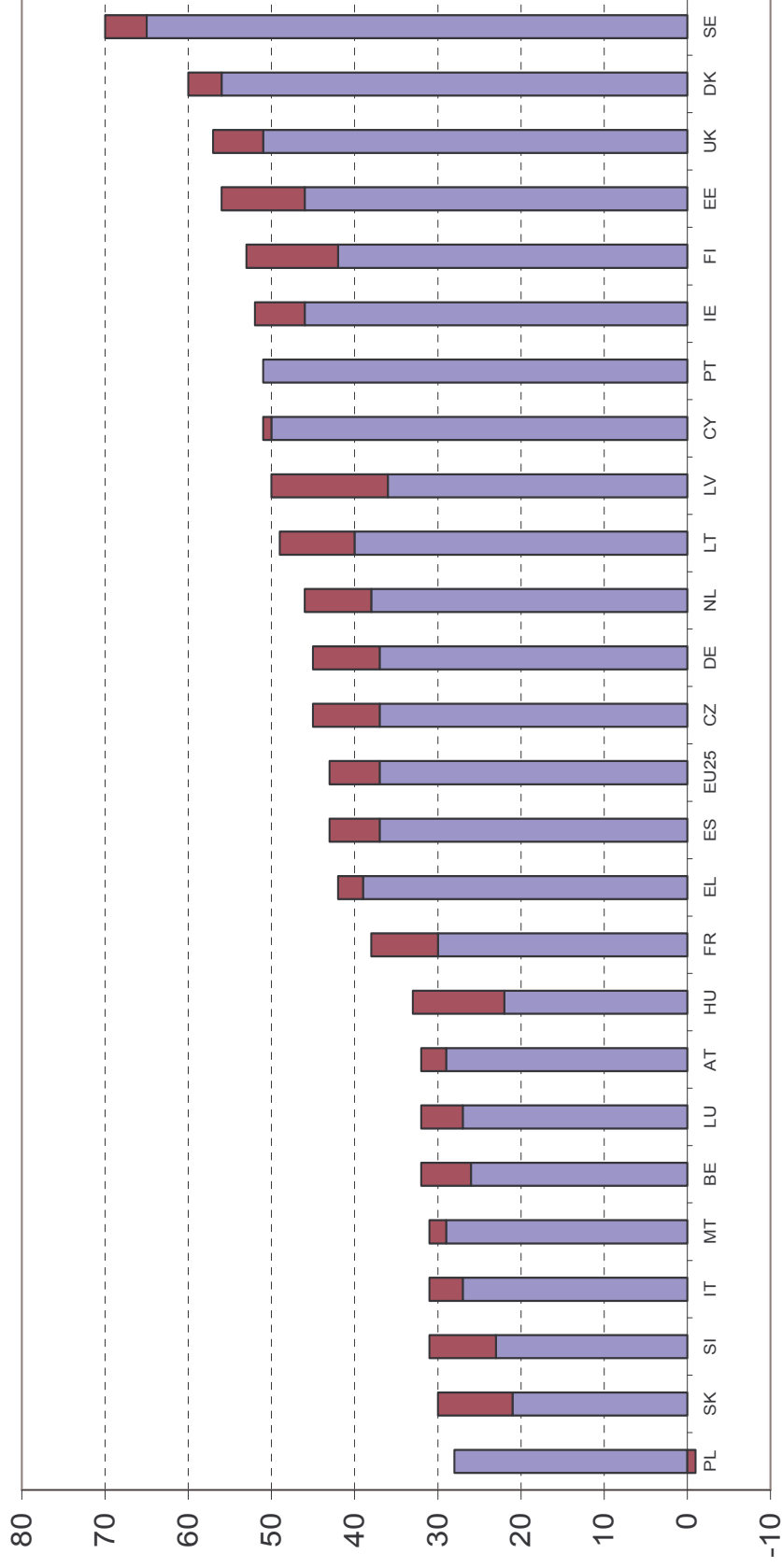
How to compensate for this decline ?

Working longer and private pensions



Source : Stylised illustration from ISG results on gross replacement rates

Recent evolution in employment of older workers



■ Employment rate of 55-64 (2000)

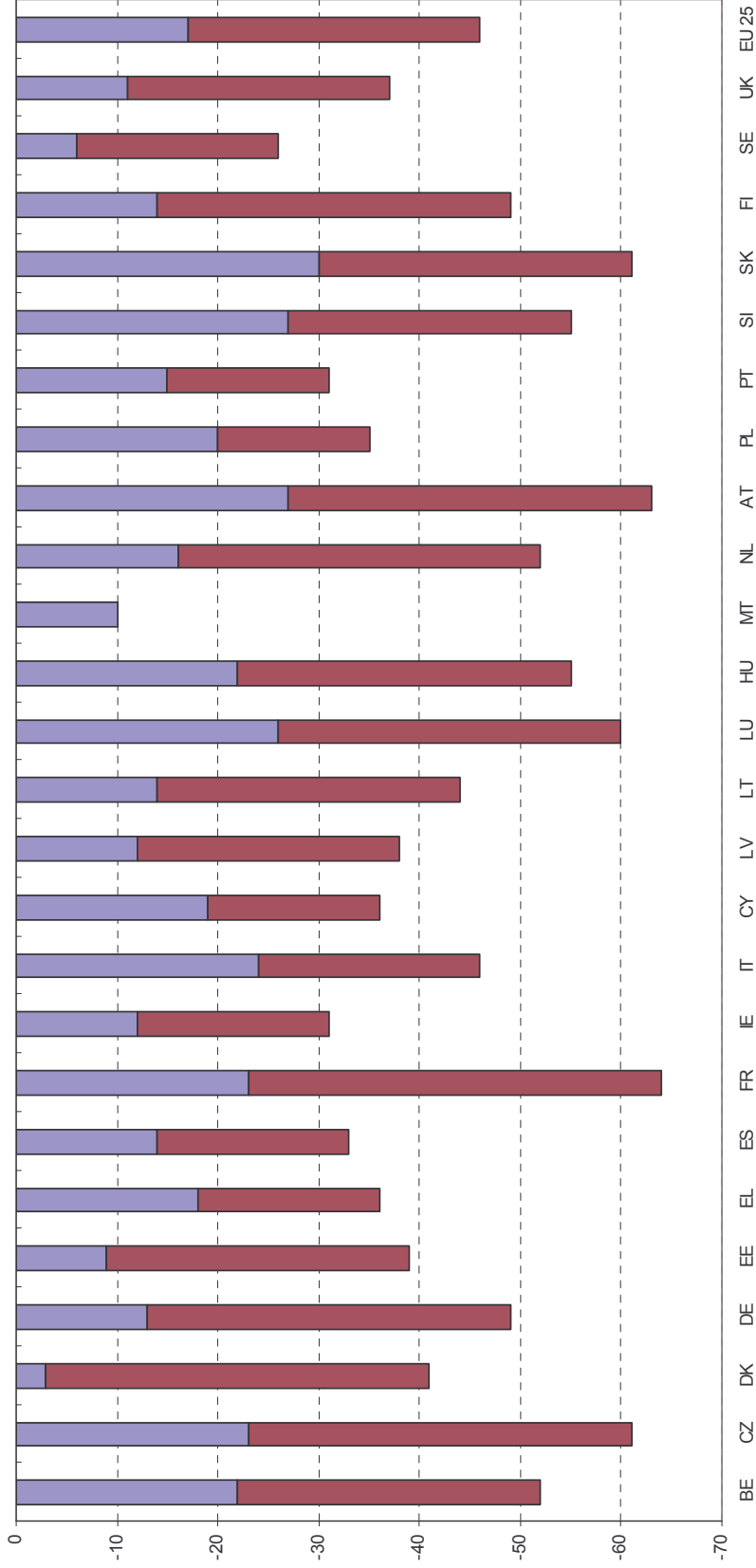
■ Change 2000-2005

Source : LFS
Employment & Social Affairs



European Commission

A significant potential of increase in older workers employment



■ Decline of employment rate from 50-54 to 55-59 ■ Decline of employment rate from 55-59 to 60-64

Source : LFS

Measures to increase effective retirement age

- Measures implementing stricter rules for eligibility for old age pensions
 - modifying ages in statutory schemes
 - modifying eligibility conditions

Measures to increase effective retirement age

- Rewarding deferred retirement and discouraging early retirement
- Providing some flexibility in retirement

Minimum income for elderly

- Growing attention to:
 - providing adequate income in retirement
 - reducing poverty among older people
- Current or future need?
 - increase quicker than general evolution
 - pension/wages (IE, ES, PT, BE)
 - reformed (PT, UK, DK, DE)
 - Declining need (DE, FR, AT, IE, ES, FI)
- Disincentives

Governance

- Automatic adjustments (SE, FI, PL, LV, DE)
- automatic reviews (AT, IT, FR)
- promotion of awareness of pension issues
- information on future pension levels (individual accounts)

IMPROVED TRANSPARENCY

Next steps

- 2007-2008 Focused work:
 - regulation of private pension schemes;
 - Working longer and how to reduce early exit via different paths out of the labour market
 - gender impact of pension systems
- Streamlined National Reports by Sept - 2008
- New joint report for Spring 2009

Further information

All information about the European Union:

<http://europa.eu.int>

Synthesis reports on Pensions (2003, 2006)
and the National Strategy Reports (2002, 2005):

http://europa.eu.int/comm/employment_social/soc-prot/pensions/index_en.htm

Reports by the Economic Policy Committee on the budgetary
implications of ageing:

http://europa.eu.int/comm/economy_finance/epc/epc_ageing_en.htm