



The Importance of Maintaining Adequate, Sustainable and  
Affordable Retirement Income Systems

# Europe and Pensions

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# Some figures of the AEIP today

- **29 members from 19 European Countries**
- **Capital represented (through its members) 900 billion €**
- **Plan members represented: 74 million**
- **Social institutions represented: 1.200**





# Members

Associate members

Observers

Correspondents

United Kingdom



Correspondents

UPS Ltd

Ireland



France



agirc



Correspondents



CAVAMAC

Observers



Spain



Correspondents



Netherlands



Finland



Poland



Germany



Austria



Hungary



Romania



Bulgaria

Central Union of Workers' Productive Cooperatives

Greece



Observers



Switzerland



Observers



Belgium



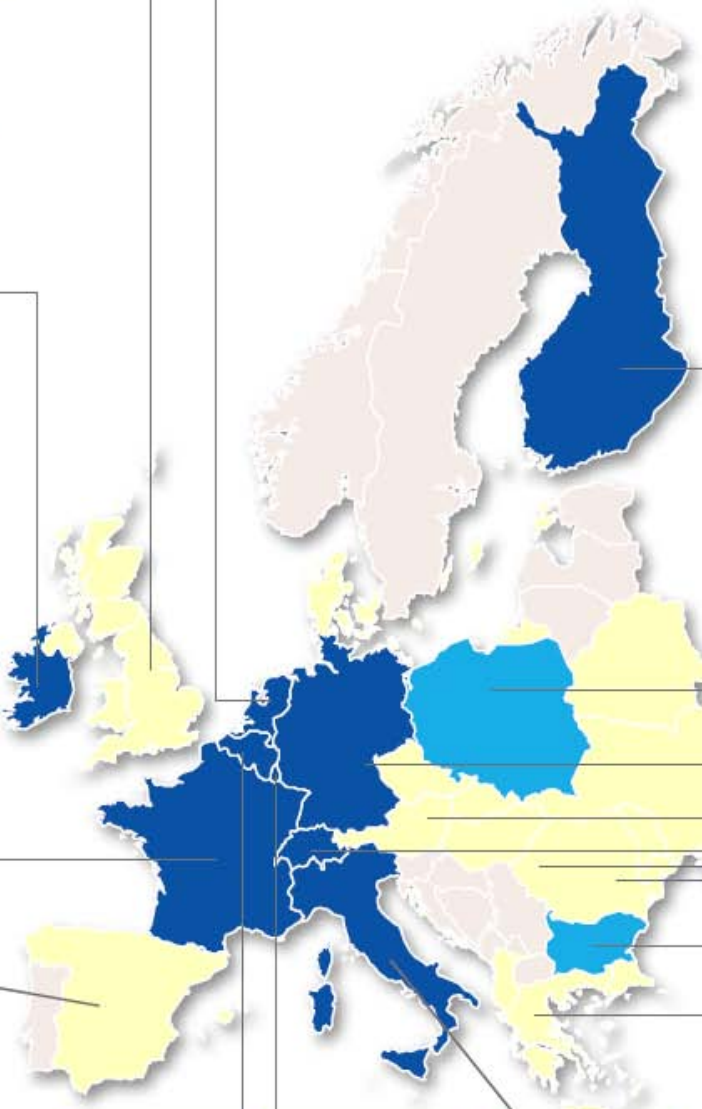
Luxembourg



Italy



Observers



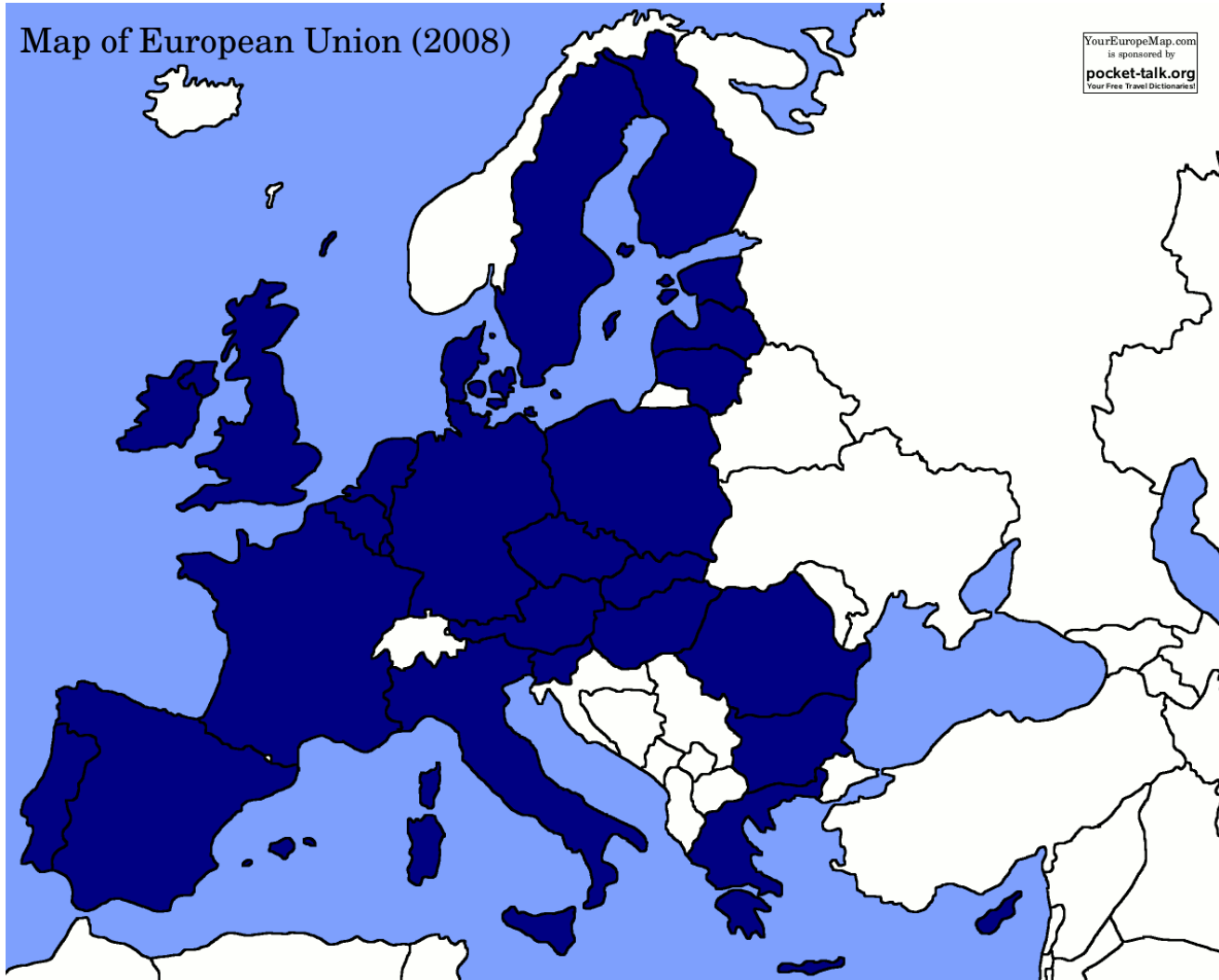


# Fields in which members of AEIP act

- Retirement plans (PAYG or funded or mixed) covered by the EU social co-ordination legislation (Regulation 883/04)
- Pension funds
- Health and provident benefits
- Paid holiday plans (for the construction sector)
- Health and Safety at work
- Unemployment Benefits
- Long term care

# European Union has grown and become very diverse

Map of European Union (2008)



# The enlargement of EU is not continuing very rapidly



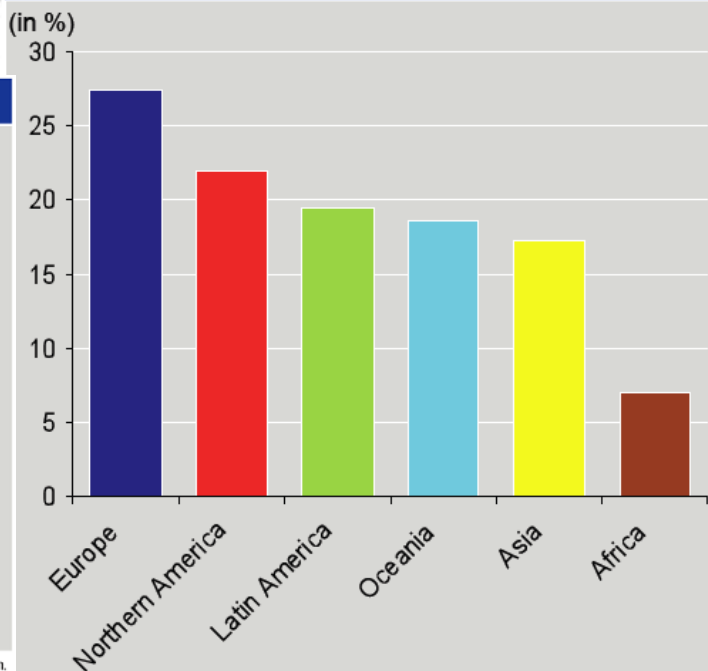
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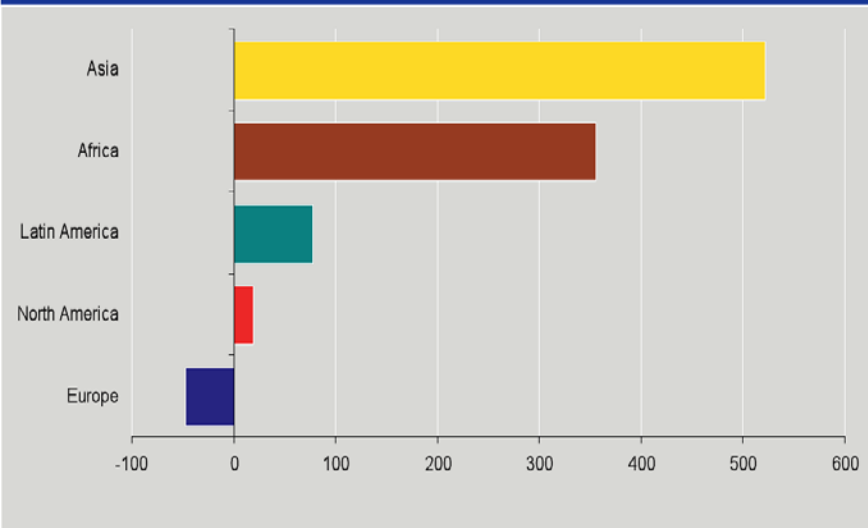
# Europe is not the world



People 65+, as % of total population (2050)



Working age population, change 2030 / 2010 in mn



Source: UN population division, World Population Prospects, 2008 revision.

Population pictures from Allianz website. Retirement challenges in the era of "New Normal" Dr Michael Heise, Group Economic Research & Corporate Development, Allianz SE  
Allianz Press Roundtable, Berlin, 22nd September 2010

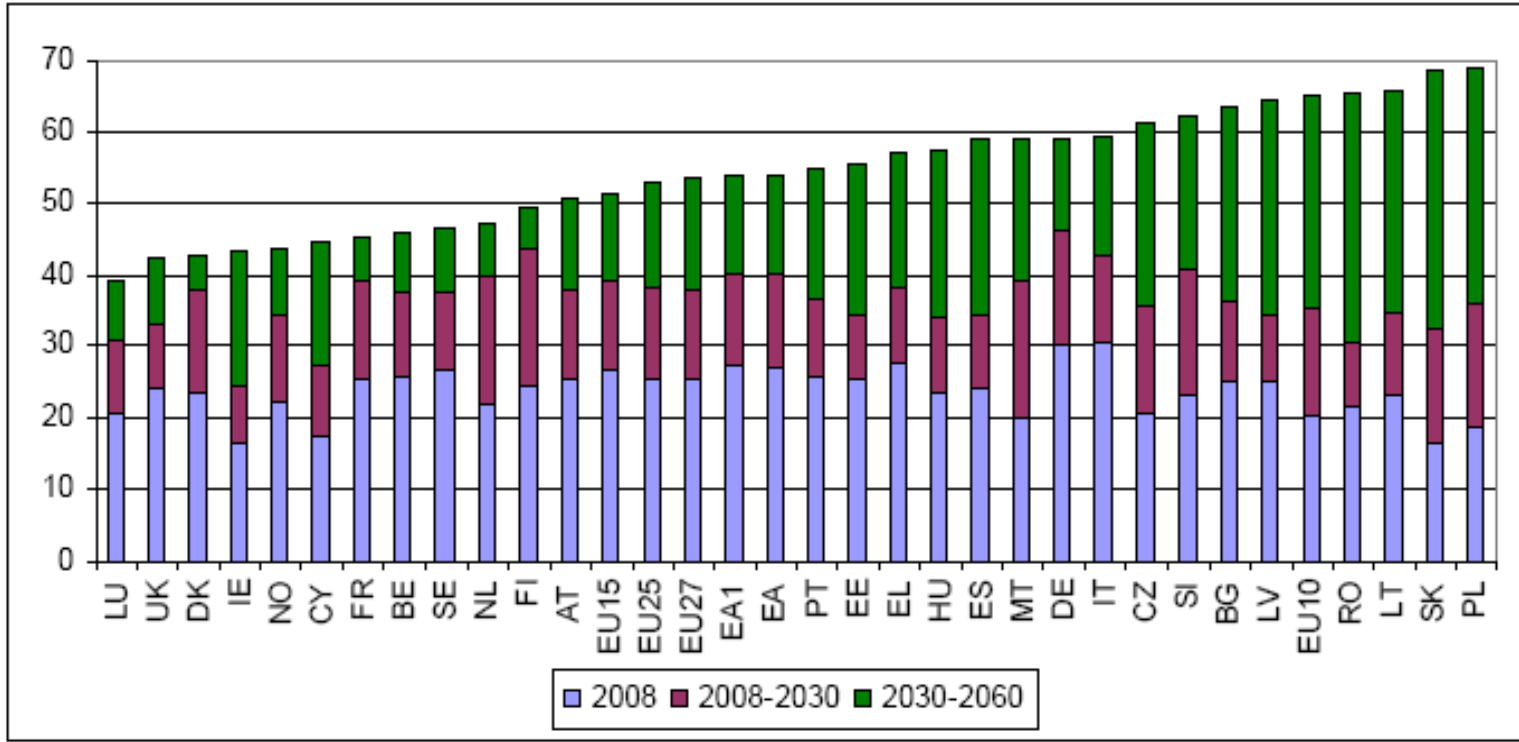
Source: UN Population Division, World Population Prospects, 2008 Revision.



# EU politics are always tricky and making pension policy difficult

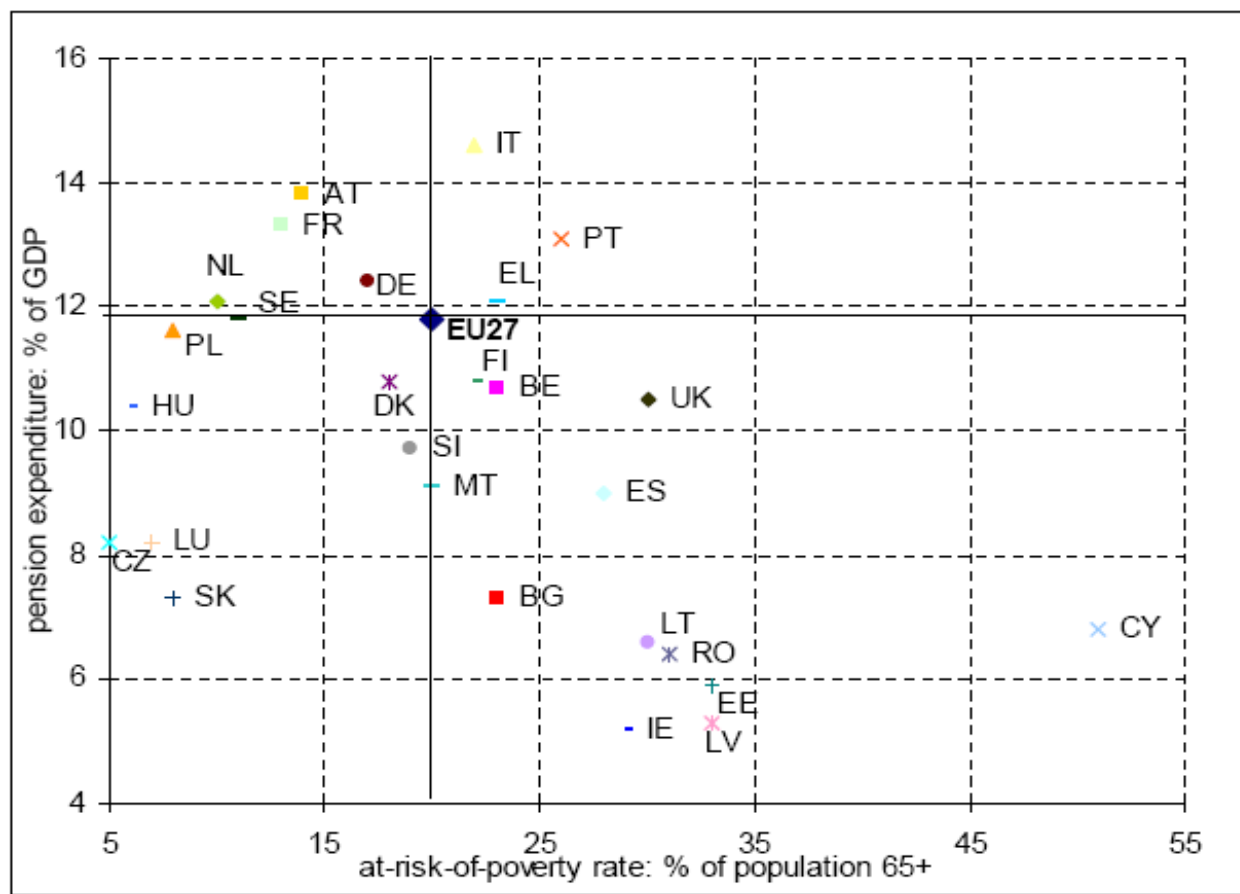


# Old age dependency ratios will grow dramatically



Source: Commission services, EPC

# Poverty is on the top of the EU Agenda

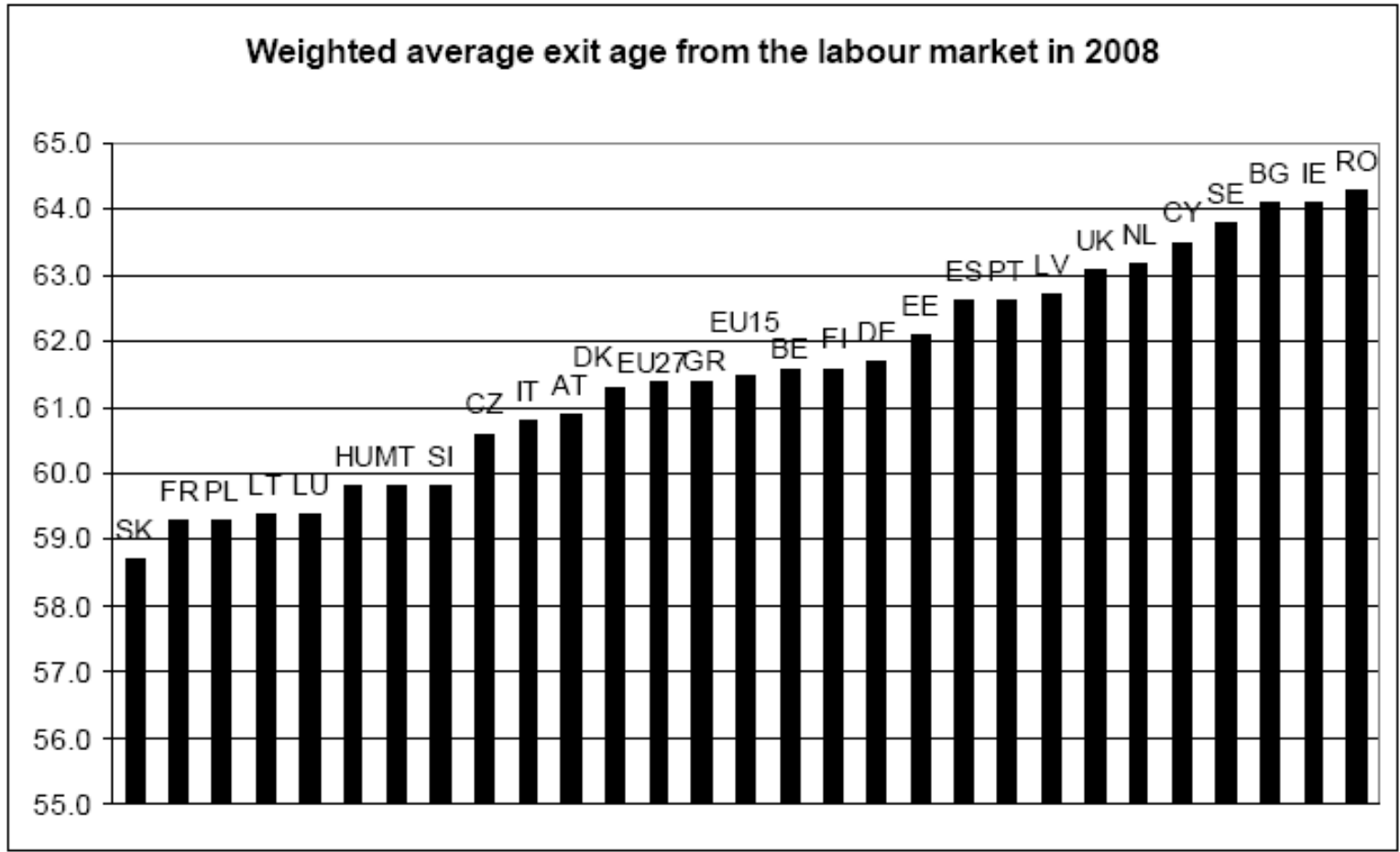


Source: Eurostat EU-SILC, ESSPROS

Note: Expenditure covers both means-tested and non means- tested old age, partial, disability, early retirement, and survivors' pensions. At risk of poverty rate defined as with cut-off point of 60% of median equivalised income after social transfers.



# Effective retirement ages differ

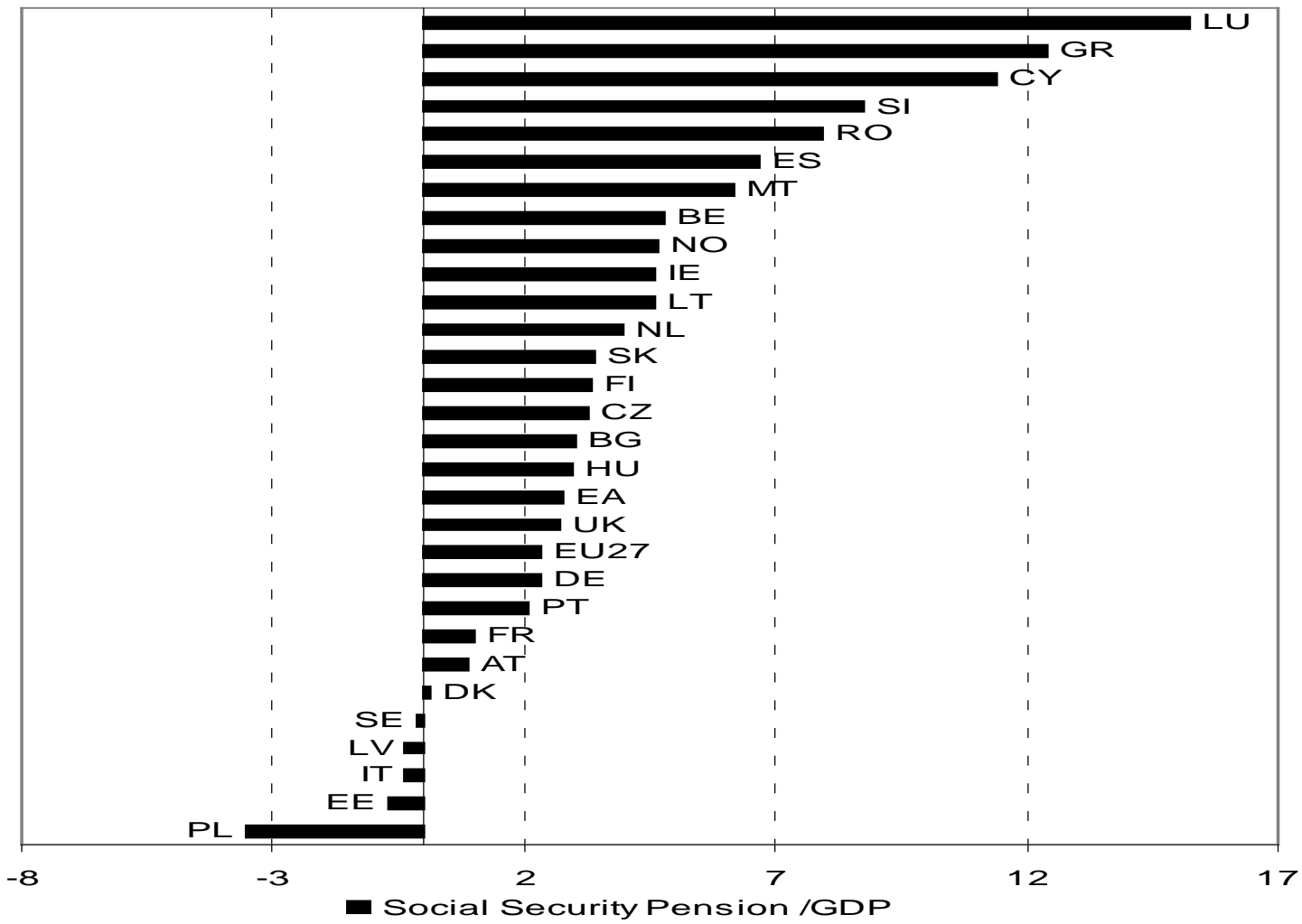


Source: Eurostat LFS ad module 2006 transition from work into retirement





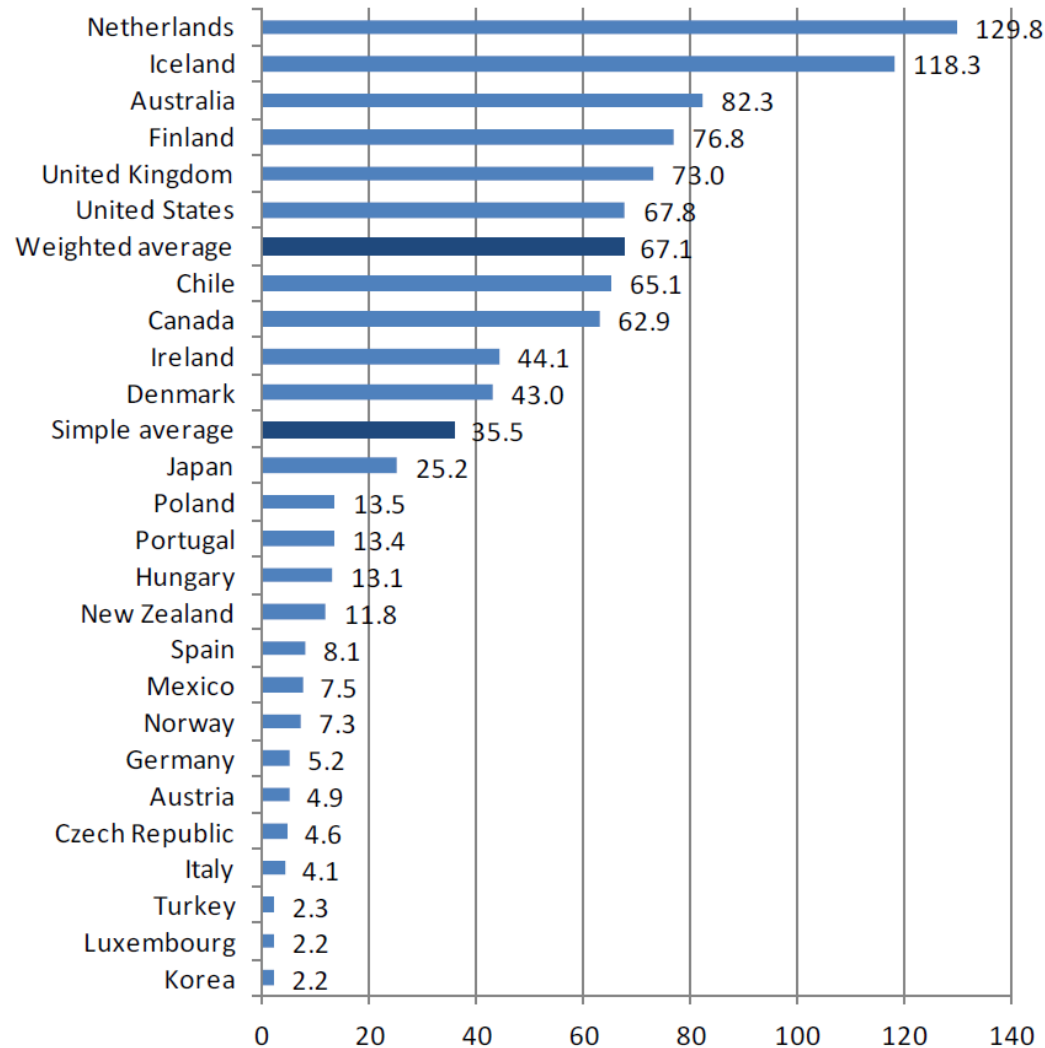
# Public pension costs are increasing/GDP 2007 - 2060



# Many have not funded much

## Pension funds/GDP

As a % of GDP



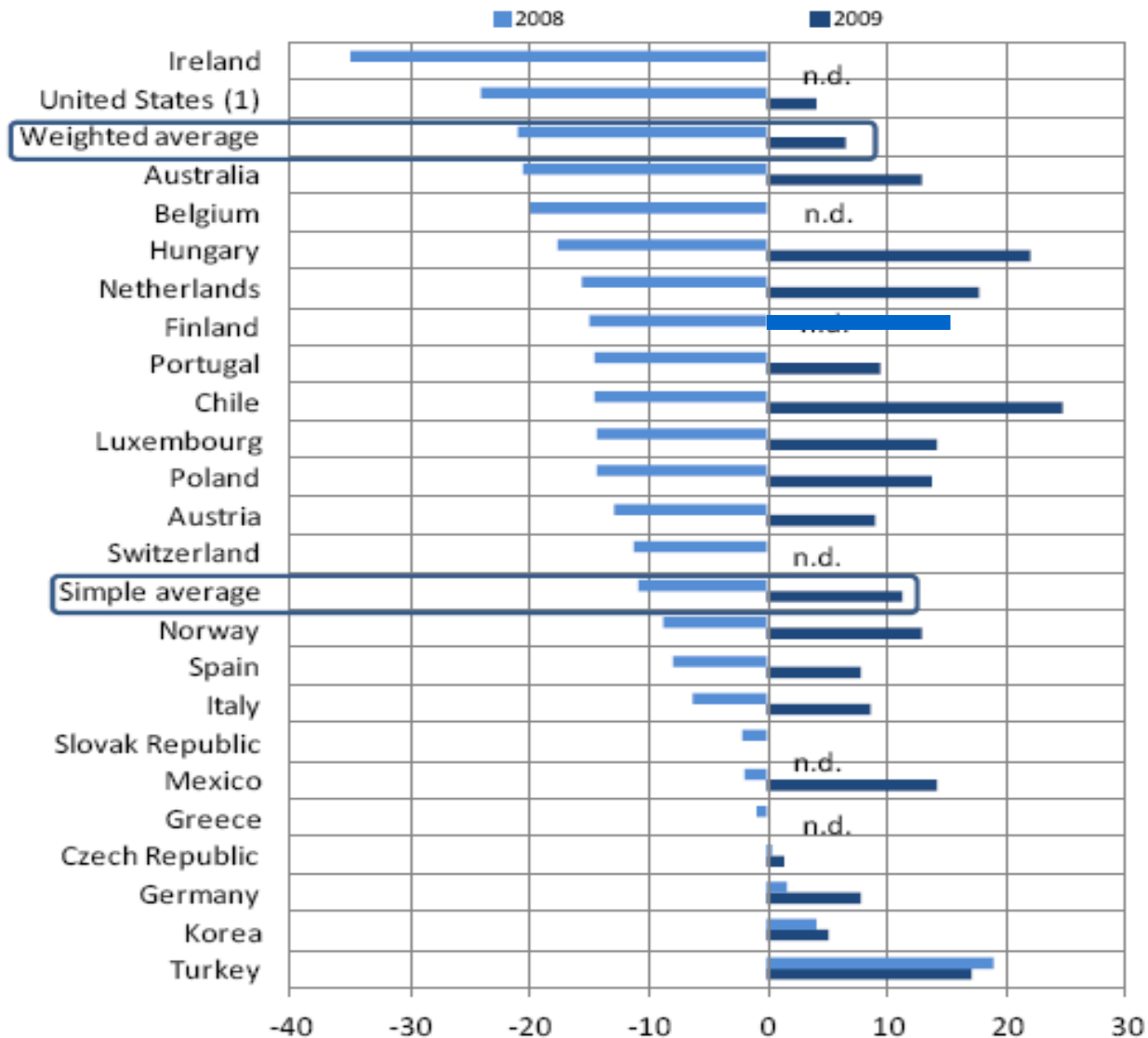
Source: OECD Global Pension Statistics.





# Crisis hurt the funds

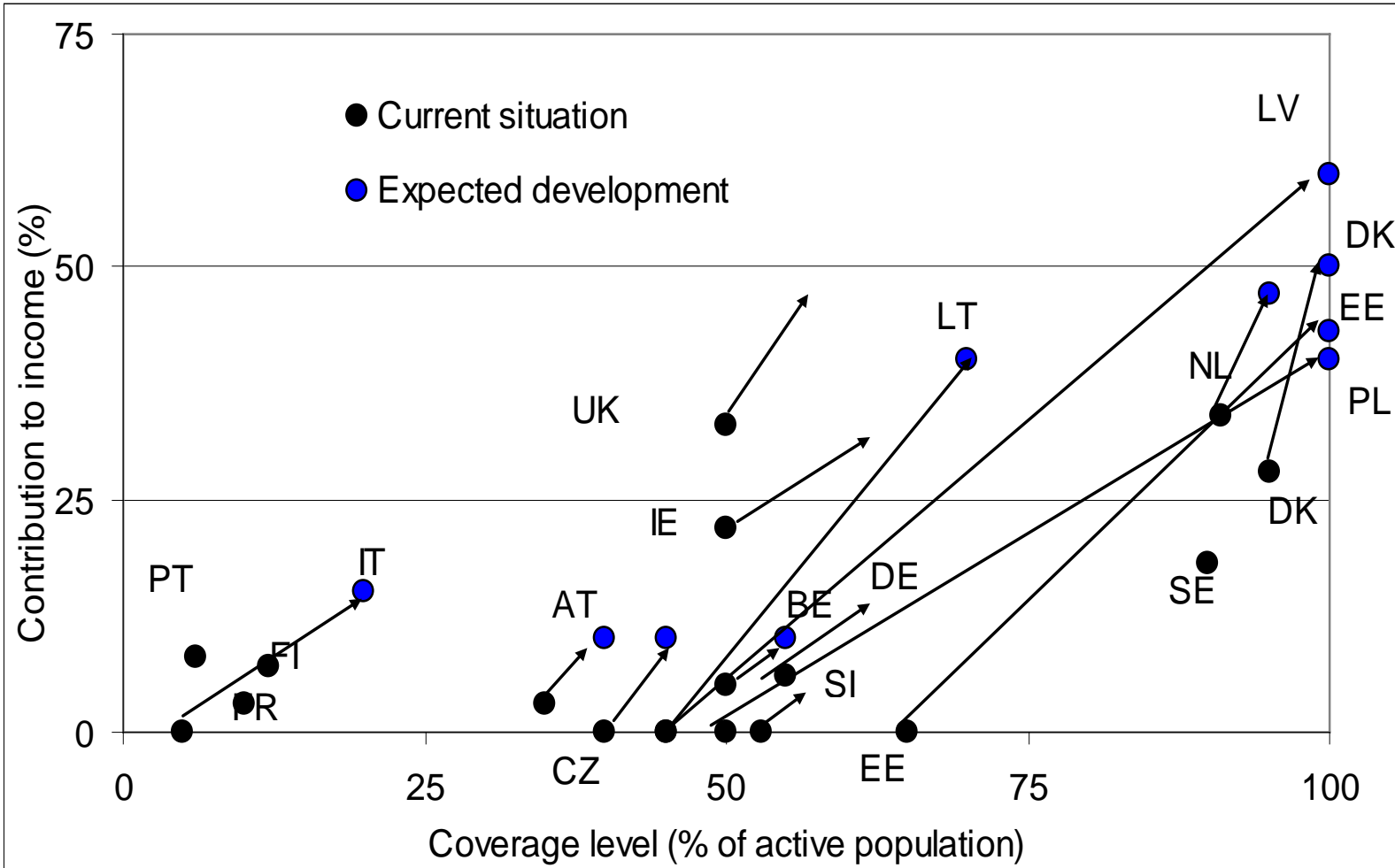
-returns in 2008 and 2009



Source OECD



# Many think the future is DC



# Pension reforms have led to protests in many countries



# Greek debt crisis

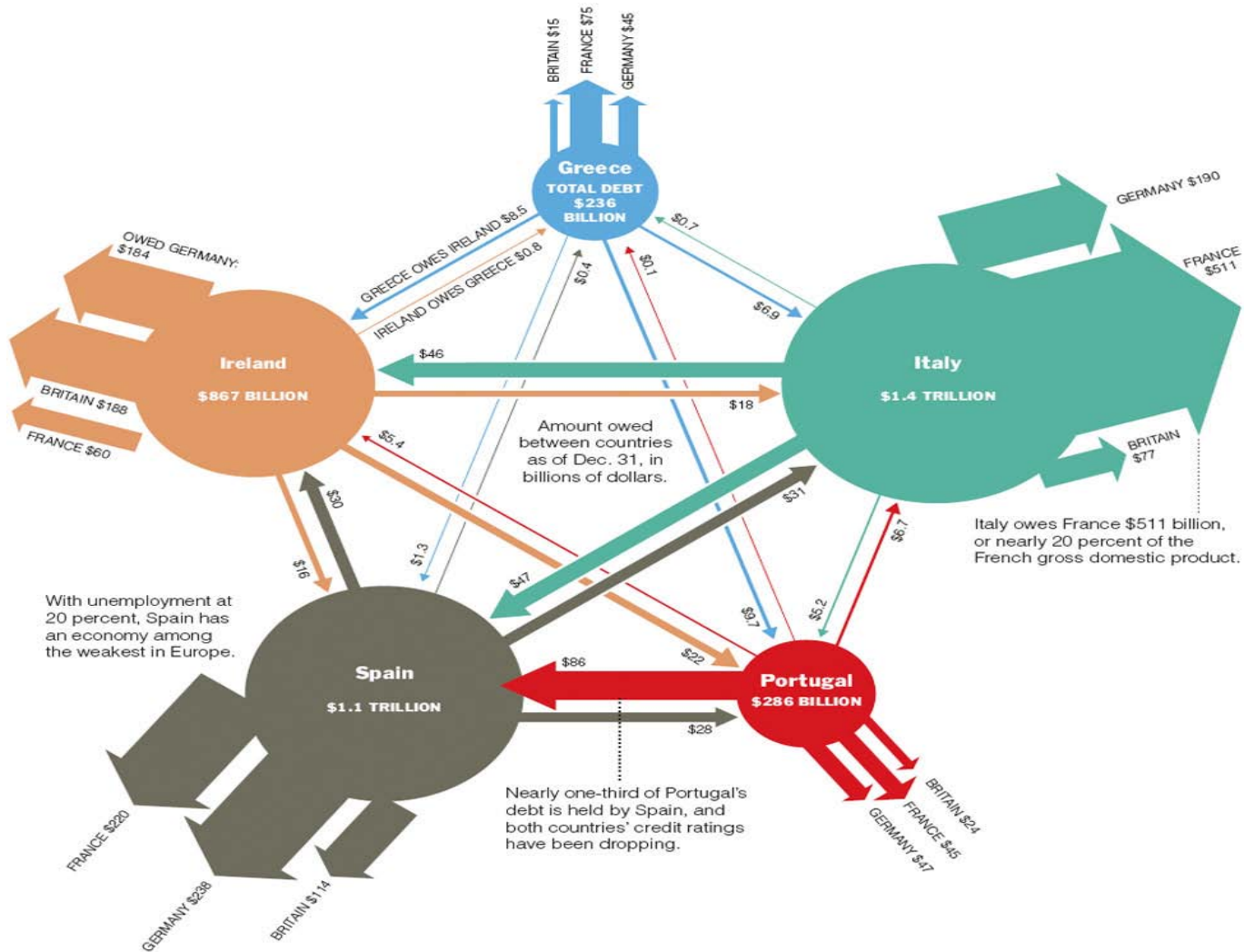


# Not just Greece, but PIIGS





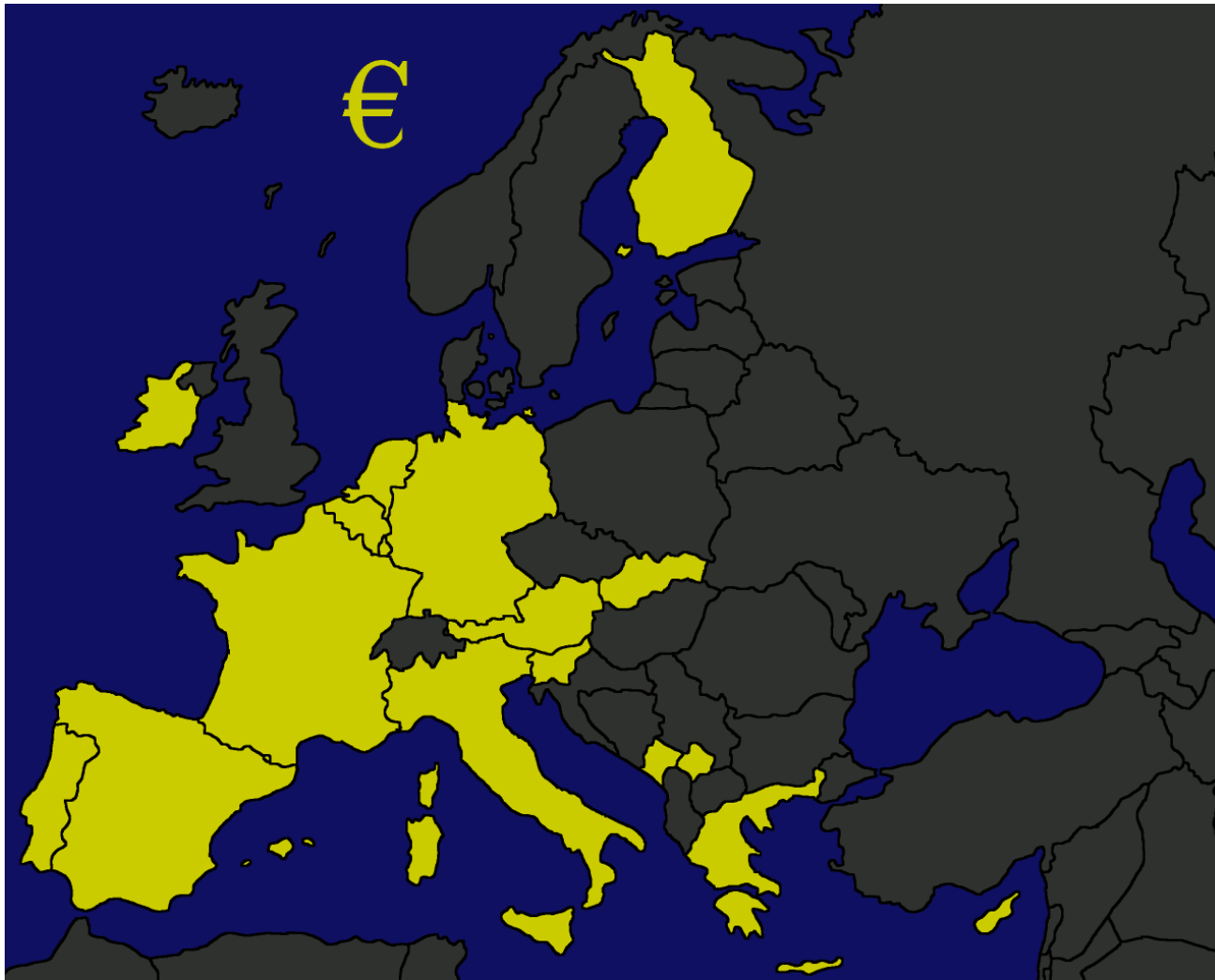
# PIIG problem is a BIG problem



# Can the Euro go down? What if one €country sinks?



# Economic policy co-ordination is getting tighter in the Euro-area



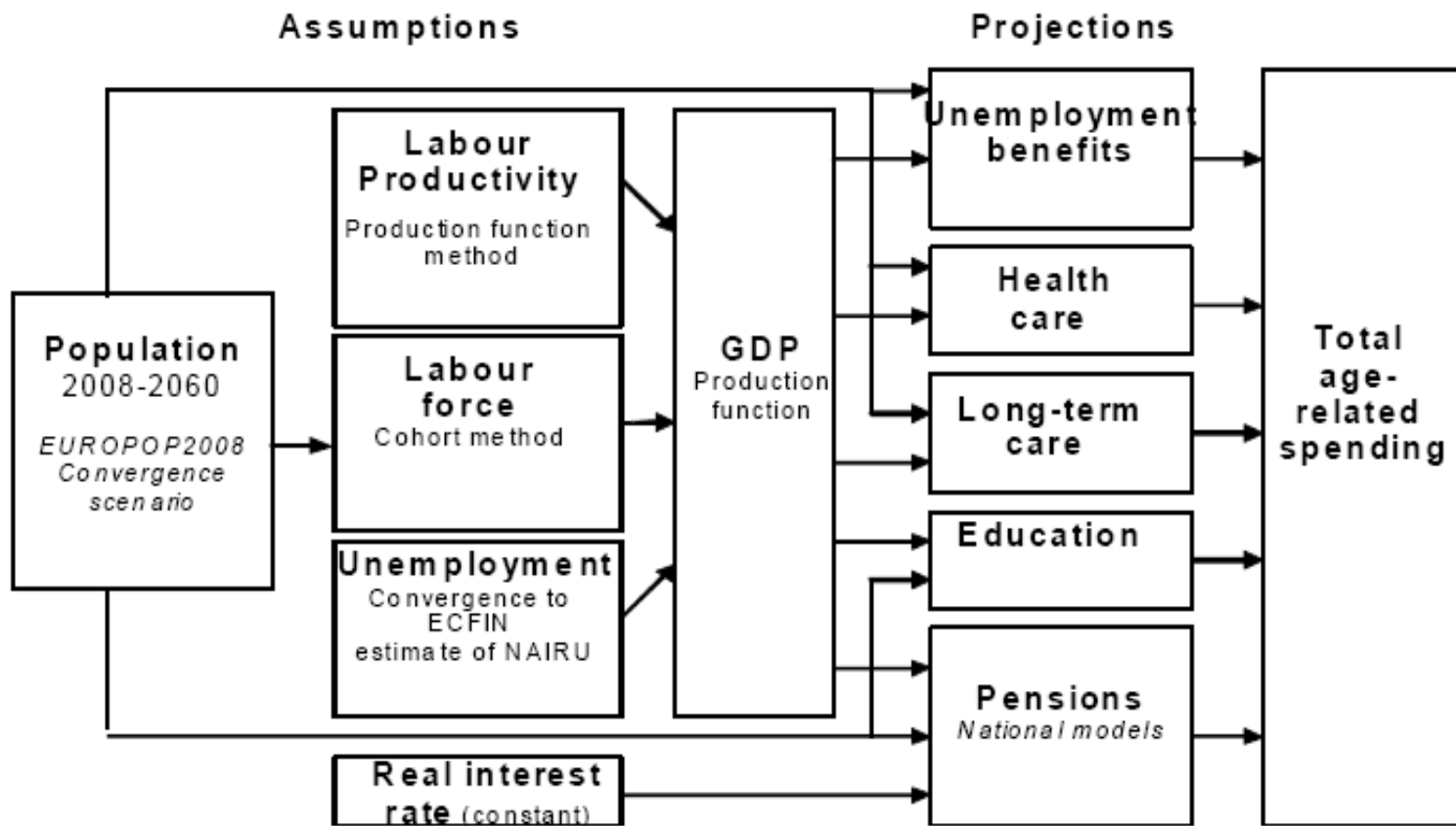
# Pension policy and the people?

50 YEARS EUROPE



50 YEARS BUREAUCRATS AND POLITICIANS

# Age related expences





# EU GREEN PAPER

## towards adequate, sustainable and safe European pension systems

- Published 7 July. Open for public consultation until 15 November 2010
  - The EU Commission has asked for a joint AEIP-NCCMP response
  - A White Paper with legislative proposals maybe in 2011
- Why now?
  - European pension systems are under pressure from demographic ageing as a result of increases in longevity and declining birth rates.
  - From 2012, the working age population in Europe will begin to shrink
  - Many Member States have been reforming their pension systems to meet this challenge, but the financial and economic crisis has made the situation more difficult and more urgent.



# EU Green Paper on Pensions

Presenting the consultation paper, and with the full backing of Commissioners Olli Rehn (Economic and Monetary affairs) and Michel Barnier (Internal Market and Services), László Andor, EU Commissioner for Employment, Social Affairs and Inclusion said:

*"The number of retired people in Europe compared to those financing their pensions is forecast to double by 2060 - the current situation is simply not sustainable. In addressing this challenge the balance between time spent in work and in retirement needs to be looked at carefully."*

# EU Green Paper on Pensions

- Holistic and integrated view of the issues and covers many topics:
  - longer working lives,
  - the internal market for pensions,
  - mobility of pensions across the EU,
  - gaps in EU regulation,
  - the future solvency regime for pension funds,
  - the risk of employer insolvency,
  - informed decision-making and governance at EU level.

# EU Green Paper on Pensions

- Overarching objectives: adequacy and sustainability
  - What is the role of the EU?
- No "ideal" one-size-fits-all pension system design.
- Pension policy up to the Members States

# EU Green Paper on Pensions

- Move from largely single to multi-tiered systems
  - In most, but not all, Member States the share of public PAYG pensions in total has been lowered
  - Enhanced role to supplementary, prefunded private plans, often DC
  - Risk of inadequacy has grown
  - Net replacement levels have decreased in many countries
- Public finances are under increasing pressure



# EU Green Paper on Pensions

- Strengthening the internal market for pensions

Appropriate and comparable accounting standards are important to enhancing transparency about pension liabilities. The International Accounting Standards Board (IASB) has undertaken a project to review its pension accounting standard IAS 19<sup>25</sup>. The European Commission jointly with its technical advisor, the European Financial Reporting Advisory Group (EFRAG), closely monitors the IASB project to improve pension accounting, possibly also for pension funds themselves, in accordance with the endorsement process established under the IAS Regulation<sup>26</sup>.

- We have already given a joint ABC-NCCMP-AEIP opinion to the IASB on IAS19
- What will be the EU solvency legislation for pension funds?



# EU Green Paper on Pensions

- Gaps in EU regulation

Reforms have led to some funded pension schemes, both public and private, being covered by EU regulation in some Member States but not in others. This is not consistent with the relevant G20 Pittsburgh declaration (“13. [...] All firms whose failure could pose a risk to financial stability must be subject to consistent, consolidated supervision and regulation with high standards. [...]”), as reinforced at the G20 Toronto summit, nor does it reflect the fact that pension funds have become major players in financial markets.

- Boundaries between social security and private, occupational and individual and voluntary and mandatory plans



# AEIP draft response – a few ideas

- Multi-pillar approach, based on a sustainable first pillar and a safe second pillar, with a strong involvement of the social partners
- Retirement income “close” to the previous standard of living should never result in benefits below the poverty line
- Information on future pension benefits will be fundamental for the citizens
- Decisions about retirement age up to the Member States, not the EU
- Pension plans, in addition of being sustainable and adequate, should be based on solidarity
- Solvency debate should concern all types of plans
  - not only focusing on failure risk in sponsor-backed DB plans, but also on how to compensate for excessive losses in DC schemes.





# Let's work together!

**M**  
**A E I P**  
**B**  
**N C C M P**  
**O**

A CONSORTIUM OF  
ADVOCATES FOR WORKER BENEFIT SECURITY





**Thank you!**



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