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Social, Health and Family Affairs Committee

Minutes

Hearing on "Decent pensions for all following the economic and financial crisis", held in Strasbourg on Thursday, 14 April 2011

Ms Maury Pasquier, Chairperson of the committee, declared the meeting open and welcomed all the participants and the two experts who were present. In the absence of the rapporteur, who had been prevented from attending the hearing by a ministerial visit to his constituency, she gave a brief introduction to the subject.

The Chairperson pointed out that retirement pensions were at the centre of political discussions in most member states, and that in many cases a shift was being observed from systems mainly based on the management of public funds and contracts between generations towards systems partly managed by private-sector players, based on voluntary components and linked to employment. She said that, since 1972, Switzerland had been using a "three-pillar system", a system which differentiated between the compulsory and optional aspects of contributions and combined solidarity-based and funded elements, but that this was not preventing further discussions of the long-term viability of Swiss pension funds. She pointed out that the rapporteur intended *inter alia* to consider the major challenges relating to pension system reform, such as the impact of the recent financial and economic crisis and of demographic developments, and then to go on to make an initial assessment of the reforms already begun in various countries, so as to see whether the measures taken could guarantee decent retirement pensions while maintaining sustainable systems for future generations.

The Chairperson then gave the floor to the experts: **Ms Danièle Karniewicz**, President of the French national pension fund scheme (CNAV), and **Ms Anna D'Addio**, from the Social Policy Division of the OECD, co-author of the "Pensions at a Glance 2011" report. They would be helping the committee to clarify, respectively, the progress of pension reforms in France and the challenges and main tendencies of pension system reform in various countries.

Ms Karniewicz explained that different approaches to determining pension levels were possible: the contributions made throughout a person's working life (social insurance) and an income corresponding to the final salary received; the CNAV based itself more on the latter. The fundamental question was therefore that of the index link applied to determine the level of pension and to enable retired persons to have a decent life. So not only was a decent pension influenced by economic crisis situations, it was also in itself becoming a "crisis absorber".

Pensions development in France had passed through several phases. Between 1945 and 1970, the main aim had been to maintain a decent level of pension. Since 1970, demographic challenges had compounded the problem, including ever-increasing life expectancy, whereby the length of people's retirement was being extended. In France, the CNAV, in close co-operation with the *Conseil d'Orientation des Retraites* (COR,

* Declassified by the Committee on 19 May 2011.

Pensions Advisory Council), had subsequently reviewed all aspects of the issue and the levers to be used to guarantee sustainable pension systems, and had introduced numerous reforms. The first had come in 1993, when the best 25 years of earnings started to be taken into account for pension calculation purposes, rather than the best 10, and a new index linkage to prices was introduced. The 2003 reform had been designed to increase the number of years of contributions required to qualify for the maximum level of pension; this number was to rise gradually until it reached 41.5 years in 2018 (i.e. for persons born in 1956). Subsequently, the 2010 reform provided for the retirement age to go up to 62 in 2018. This latest reform had been introduced during an economic crisis which had not directly affected pensions themselves, but when a high level of debt was incurred in order to guarantee pensions.

These facts having been established, **Ms Karniewicz** mentioned the main principles underlying reform in France: a desire to make no further increases in the rate of contributions deducted from salaries and to avoid cutting the level of pensions. She also said that France had, over the different phases of reform, used every possible lever in respect of pensions: 1) the contributions levied; 2) the period of contributions/retirement age; 3) the level of pensions. In this context, the French authorities took the view that the selected date, 2018, was perfectly sustainable for the introduction of the new measures relating to period of contributions and retirement age.

Ms Karniewicz also pointed to the main challenges that reform in France needed to meet: protecting those who were most vulnerable, individual responsibilities, and restoring young people's confidence in the future. In France, the pension system remained firmly based on the principle of solidarity, and encompassed elements of support for those people at the greatest disadvantage. Thus there was a possibility of relatively early retirement, for example for anyone who had had a long career, who had a disability or who had fallen ill. The people of France remained strongly attached to this solidarity-based system, and as a result the "saving for retirement" approach had had limited success. However, the political agenda includes another phase of reform in 2013, this time entailing new contribution methods. The matters still needing to be tackled in future were the financial balance of the different schemes and the index-linking to final salary, this latter being intended to ensure a direct link between standard of living while working and after retirement, without falling below a certain threshold. Also still to be reviewed was the proportion of each person's individual contributions to the retirement pension: the basic fund for pensions would continue to be built up jointly, while every person should, in future, be allowed to add to his or her own pension according to his or her own possibilities.

Finally, **Ms Karniewicz** pointed to the particular complexity of the French pensions system, which distinguished not only between public-sector and private-sector schemes, but also, for historical reasons, some 35 or so special schemes for different occupational branches. This complexity was intensified by the increasingly "fragmented" nature of careers, with regular changes having become the norm, making it ever more difficult to advise individuals what to do. In this complex situation, the CNAV's role was both to advise the government on strategic decisions and to provide insured persons with information, explaining the options open to them. The main challenge to it was still that of restoring confidence in young people, who, in the context of the current discussions and reforms, were increasingly uncertain about their own future.

Ms D'Addio, from the OECD, gave an overview of the impact of the economic and financial crisis on European pension systems, based on recent OECD studies and, in particular, the publication "Pensions at a Glance 2011" (one copy of which had been kindly made available to the secretariat for the purposes of the committee's report). She said that the tendency towards privatisation of pensions was leaving systems more exposed to the crisis. Thus the crisis had had a more serious impact wherever private pensions and retirement savings were to the fore, where investments had been made in risky products and where the financial balance of public systems was already unsteady. Moreover, those who were closest to retirement were those most concerned, as they did not have enough time to make good any losses.

Of all the major tendencies in terms of pensions in Europe, the expert referred first to the declining number of working persons contributing to pension schemes (today's average of 7.5 people contributing per retired person was expected to fall to 3 people per retired person by 2050), then to the ever-longer period spent in retirement as a result of increasing life expectancy, and, finally, to the differing degrees of poverty among retired persons. Public authorities responded in different ways, generally striving to improve the safety nets available to the elderly. Among the favourite measures were promotion of early access to retirement saving schemes, encouragement to invest in less risky plans as retirement age approached, and changes to the regulations.

According to **Ms D'Addio**, the main political priorities in the current context were the financial viability of systems and ensuring that pensions were adequate, as well as striking a balance between the two. In order to improve the financial viability of systems, most countries had adopted measures in recent years. In most of the countries studied, elderly persons were effectively among the groups at risk of poverty. In order to improve the adequacy of pensions, the first lever used by governments was a lengthening of working life, with people being

encouraged to go on working for longer, and the retirement age being raised (to 65 in most OECD states at the moment, and to 62 in some (including France), and 67 in others (68 in the United Kingdom). Other levers related to the efforts needed to make pensions more adequate, targeting those most vulnerable, as well as the measures taken to encourage a wide range of private savings.

The Chairperson thanked the experts for their instructive presentations, and opened the discussion.

Mr Marquet asked how pension systems could be made fairer, for example between the two sexes. Why could a more individual income not be introduced, not one based on the couple?

Mr Spautz said that he was uncomfortable about the fact that the discussion was always about funding, never considering the employment opportunities of workers aged over 45. An increase in the employment rate would simultaneously bring a fall in the number of dependent persons. Some problems connected with old age and the illnesses that accompanied it should also be considered.

Mr Vercamer argued that, while private savings were an additional option, they should not lead to a complete withdrawal by the public sector.

Mr Flynn confirmed that some pension systems were no longer fit for purpose, citing the example of the United Kingdom, where pensions had been devised in 1945, at a time when the number of persons of retirement age was of course low. In his view, people needed to be persuaded to work for longer, and young people needed to be required to build up their own savings. Anyone motivated to continue working beyond the present retirement age should be allowed to do so.

The Chairperson said that on retirement, a reduction was frequently applied to pensions, and those people who continued working beyond the minimum retirement age were often those financially unable to take early retirement, because they were on the lowest pay.

Ms D'Addio confirmed that a distinction between women and men was indeed made in the approaches taken by most countries.

In **Ms Karniewicz's** view, women's and men's level of insurance was now drawing closer together, and the remaining differences were often due to unequal treatment in the firms where they worked. Generally speaking, she did not agree that much greater investments should be made in private pensions, given the fact that, in her opinion, it was still the public system that offered the best protection. She also drew attention to the fact that it was not only those on low wages who had to work for longer, but sometimes also those on high pay, given that they had many years of study to make up for during which they had not been contributing.

The Chairperson declared the discussion closed and thanked all participants for their contributions, and particularly the experts for having come to Strasbourg despite their very full diaries.

List of presence/*Liste de présence*

The names of the members and alternates present at the meeting appear in bold
Les noms des membres et de leurs suppléants présents à la réunion sont indiqués en gras

Chairperson/ <i>Présidente</i>		
Mme Liliane MAURY PASQUIER	Switzerland / Suisse	M. Arthur LOEPFE
Vice-Chairpersons/ <i>Vice-Président(e)s</i>		
Ms Pernille FRAHM	Denmark / Danemark	Ms Pia CHRISTMAS-MØLLER
M. Bernard MARQUET	Monaco	Mme Sophie LAVAGNA
Mr Pieter OMTZIGT	Netherlands / Pays-Bas	Mrs Wassila HACHCHI
Members / <i>Membres</i>		<i>Alternates / Remplaçants</i>
Mme Lajla PERNASKA	Albania / Albanie	ZZ ...
Mme Maria Pilar RIBA FONT	Andorra / Andorre	M. Joan CARTES IVERN
Mr Armen MELIKYAN	Armenia / Arménie	Mr Gagik BAGHDASARYAN
Mr Karl DONABAUER	Austria / Autriche	Mr Franz Eduard KÜHNEL
Ms Christine MUTTONEN	Austria / Autriche	Ms Sonja ABLINGER
Mrs Sevinj FATALIYEVA	Azerbaijan / Azerbaïdjan	Ms Ganira PASHAYEVA
Mr Fazil MUSTAFA	Azerbaijan / Azerbaïdjan	Mr Aydin ABBASOV
Mme Cindy FRANSSSEN	Belgium / Belgique	M. Philippe MAHOUX
M. Stefaan VERCAMER	Belgium / Belgique	M. Dirk Van der MAELEN
ZZ...	Bosnia and Herzegovina / Bosnie-Herzégovine	ZZ...
Mr Desislav CHUKOLOV	Bulgaria / Bulgarie	ZZ...
Ms Dzhema GROZANOVA	Bulgaria / Bulgarie	Mr Yanaki STOILOV
Ms Karmela CAPARIN	Croatia / Croatie	Mr Mirando MRŠIĆ
M. Fidias SARIKAS	Cyprus / Chypre	Ms Athina KYRIAKIDOU
Mme Daniela FILIPIOVÁ	Czech Republic / République tchèque	Mr Rom KOSTŘICA
Ms Kateřina KONEČNÁ	Czech Republic / République tchèque	Mr Pavel LEBEDA
Mr Indrek SAAR	Estonia / Estonie	Mr Silver MEIKAR
Ms Sirpa ASKO-SELJAVAARA	Finland / Finlande	Ms Tuulikki UKKOLA
M. Roland BLUM	France	M. Laurent BÉTEILLE
Mme Claude GREFF	France	Mme Muriel MARLAND- MILITELLO
M. Denis JACQUAT	France	Mme Françoise HOSTALIER
Mme Marietta KARAMANLI	France	M. Jean-Paul LECOQ
Ms Magdalena ANIKASHVILI	Georgia / Géorgie	Mr Rati SAMKURASHVILI
Ms Viola von CRAMON- TAUBADEL	Germany / Allemagne	Mr Manuel SARRAZIN
Mr Andrej HUNKO	Germany / Allemagne	Mr Thomas NORD
Ms Marlene RUPPRECHT	Germany / Allemagne	Ms Doris BARNETT
Mr Bernd SIEBERT	Germany / Allemagne	Ms Gitta CONNEMANN
Mr Konstantinos AIVALIOTIS	Greece / Grèce	Ms Charoula KEFALIDOU
Mr Michail KATRINIS	Greece / Grèce	Ms Sophia GIANNAKA
Mr Péter HOPPÁL	Hungary / Hongrie	Mrs Melinda SZÉKYNÉ

		SZTRÉMI
Ms Virág KAUFER	Hungary / Hongrie	Mr Gábor HARANGOZÓ
Mr Birkir Jón JÓNSSON	Iceland / Islande	Ms Eygló HARÐARDÓTTIR
Mr Peter KELLY	Ireland / Irlande	Ms Maureen O'SULLIVAN
Mr Mario BARBI	Italy / Italie	Mr Paolo GIARETTA
Mr Roberto Mario Sergio COMMERCIO	Italy / Italie	M. Giacomo STUCCHI
Mr Oreste TOFANI	Italy / Italie	Mr Giuseppe CIARRAPICO
Mr Luca VOLONTÈ	Italy / Italie	Mr Vannino CHITI
Ms Ingrida CIRCENE	Latvia / Lettonie	M. Andris BĒRZIŅŠ
Ms Doris FROMMELT	Liechtenstein	Mr Leander SCHÄDLER
Ms Arūnė STIRBLYTĖ	Lithuania / Lituanie	Ms Birutė VĖSAITĖ
M. Marc SPAUTZ	Luxembourg	M. Jean HUSS
Mr Francis AGIUS	Malta / Malte	Ms Marie-Louise COLEIRO PRECA
Mr Valeriu GHILETCHI	Moldova	ZZ...
Mr Obrad GOJKOVIĆ	Montenegro / Monténégro	Ms Snežana JONICA
Mrs Khadija ARIB	Netherlands / Pays-Bas	Mrs Tineke STRIK
Ms Karin ANDERSEN	Norway / Norvège	Ms Ingjerd SCHOU
Ms Bożenna BUKIEWICZ	Poland / Pologne	M. Zbigniew GIRZYŃSKI
Mr Mariusz KAMIŃSKI	Poland / Pologne	Mr Maciej ORZECZOWSKI
Ms Anna SOBECKA	Poland / Pologne	Mr Ryszard BENDER
Mme Cecília HONÓRIO	Portugal	ZZ ...
ZZ...	Portugal	ZZ...
Mr Cristian DAVID	Romania / Roumanie	Ms Ana Adriana SĂFTOIU
M. Cezar Florin PREDA	Romania / Roumanie	M. Iosif Veniamin BLAGA
Mr Mihai TUDOSE	Romania / Roumanie	Mr Florin IORDACHE
Mr Igor CHERNYSHENKO	Russian Federation / Fédération de Russie	Mr Valery PARFENOV
Mr Oleg LEBEDEV	Russian Federation / Fédération de Russie	Mr Nikolay FEDOROV
Mr Valery SELEZNEV	Russian Federation / Fédération de Russie	Ms Svetlana GORYACHEVA
Mr Vladimir ZHIDKIKH	Russian Federation / Fédération de Russie	Ms Tatiana VOLOZHINSKAYA
M. Marco GATTI	San Marino / Saint-Marin	M. Pier Marino MULARONI
Mr Miloš ALIGRUDIĆ	Serbia / Serbie	Ms Nataša VUČKOVIĆ
Ms Vjerica RADETA	Serbia / Serbie	Mr Mladen GRUJIĆ
Mr Stanislav FORT	Slovak Republic	Mr Štefan ZELNÍK
Mr Ljubo GERMIČ	Slovenia / Slovénie	ZZ...
Ms Meritxell BATET LAMAÑA	Spain / Espagne	Mr Jordi XUCLÀ I COSTA
Mme Rosa Delia BLANCO TERÁN	Spain / Espagne	Mrs Concepción GUTIÉRREZ DEL CASTILLO
Mr Agustín CONDE BAJÉN	Spain / Espagne	Mme Blanca FERNÁNDEZ-CAPEL BAÑOS
Ms Carina OHLSSON	Sweden / Suède	Mr Morgan JOHANSSON
Mr Mikael OSCARSSON	Sweden / Suède	Ms Marietta de POURBAIX-LUNDIN
M. Felix MÜRI	Switzerland / Suisse	Ms Doris STUMP
Mr Zoran PETRESKI	« The former Yugoslav Republic of Macedonia »	Ms Flora KADRIU
Mr Lokman AYVA	Turkey / Turquie	Mr Yüksel ÖZDEN
Mr Haluk KOÇ	Turkey / Turquie	Ms Birgen KELEŞ
Mr Mustafa ÜNAL	Turkey / Turquie	Mr Ali Riza ALABOYUN
Ms Olena BONDARENKO	Ukraine	Mr Yevgeniy SUSLOV
Ms Olha HERASYM'YUK	Ukraine	Ms Oksana BILOZIR

Mr Victor YANUKOVYCH	Ukraine	M. Ivan POPESCU
Ms Ann COFFEY	United Kingdom / Royaume-Uni	Lord Tim BOSWELL
Mr Jeffrey DONALDSON	United Kingdom / Royaume-Uni	Mr Michael CONNARTY
Mr Paul FLYNN	United Kingdom / Royaume-Uni	Mr Mike HANCOCK
Mr Sam GYIMAH	United Kingdom / Royaume-Uni	Ms Yasmin QURESHI

Also present / *Egalement présents*

Mr / M. Gábor HARANGOZÓ, Hungary / *Hongrie*

Special Guests / *Invités spéciaux*

Ms / M^{me} Anna D'ADDIO, Social Policy Division of the OECD, co-author of the report "Pensions at a Glance 2011" / *Division des politiques sociales de l'OCDE, co-auteur du rapport « Panorama des pensions 2011 »*

Ms / M^{me} Danièle KARNIEWICZ, President of the French national pension fund scheme (CNAV) / *Présidente de la Caisse nationale d'assurance vieillesse (CNAV) de France*

Ms / M^{me} LAROQUE, French national pension fund scheme (CNAV) / *Caisse nationale d'assurance vieillesse (CNAV) de France*

Delegation Secretaries / *Secrétaires de Délégation*

Mr / M. Pavel ERMOSHIN, Russian Federation / *Fédération de Russie*

Ms / M^{me} Eva ÖSTLUND, Sweden / *Suède*

Ms / M^{me} Vladimíra PEJCHALOVÁ-GRUNWALDOVA, Czech Republic / *République tchèque*

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Ms / M^{me} Nathalie BARGELLINI, PACE communication / *Communication de l'APCE*

Social, Health and Family Affairs Committee / *Commission des questions sociales, de la santé et de la famille*

Ms / M^{me} KLEINSORGE, Head of the Secretariat / *Chef du Secrétariat*

Ms / M^{me} LAMBRECHT-FEIGL, Secretary to the Committee / *Secrétaire de la commission*

Ms / M^{me} GARABAGIU, Secretary to the Committee / *Secrétaire de la commission*

Ms / M^{me} DEVAUX, Project manager / *Chargée de projet*

Ms / M^{me} BARTHEL, Principal Assistant / *Assistante principale*

Ms / M^{me} STEMPEL, Assistant / *Assistante*

Ms / M^{me} FARGES, Trainee / *Stagiaire*