



# The Social Protection Committee

SPC/2009/12/14/final

## Mandate for

# EPC-SPC Joint Report on Pensions

## Methodological note and work plan in 2010

### I. Objective of the EPC-SPC cooperation

EPC and SPC, in cooperation with Commission services (DG ECFIN and DG EMPL) will conduct a joint analysis of pension systems in the EU following the Joint Social Protection and Social Inclusion Report 2009, the 2009 Ageing Working Group Report and the May 2009 Commission Communication on Ageing, focussing on the:

- Results of the last decade of reforms,
- Impacts of the crisis,
- Long term perspectives beyond the crisis.

The aim is to re-assess the pension reforms in the light of aggravated challenges and develop an updated agenda for delivering adequate and sustainable pensions.

### II. Envisaged results

1) Joint EPC-SPC-EC work should generate the **first input** for Committees in March 2010 and for the conference on Minimum Pensions under the Spanish Presidency (Burgos 22-23 April 2010), allowing the EPSCO and ECOFIN to take a position on the joint project and an **interim report** at meetings in June, thus providing a mandate for the final report in the latter half of 2010 under the Belgian Presidency.

2) The joint work should then produce the **final Joint Report** to be adopted by the two Committees in October 2010. The two Councils would endorse the Joint Report and adopt Council conclusions under the Belgian Presidency (EPSCO & ECOFIN Council meetings in November), with the aim of endorsement and adoption of conclusions by the European Council in December 2010.

### III. Organisation of joint work

#### Involvement of the European Commission services

The joint preparatory work will be supported by DGs EMPL and ECFIN. To this purpose, the Commission will designate a team of officials from these services.

## Involvement of the two Committees in the work on the drafting

To provide input into the work the SPC will establish an ad hoc group of SPC and ISG members with insight in pension issues and the EPC will give mandate to the AWG for this. The EPC and SPC will be informed about progress of work. The SPC-designated pension experts and the AWG would offer comments and suggestions for improvements also through written consultation. SPC and EPC Chairs would provide political guidance. The ISG and the AWG will have the opportunity to discuss and amend the Interim and the Final reports prior to submission to the respective Committees for approval.

### **IV. Purpose of the work**

The analysis in this joint work will:

- Take stock of important progress in pension reform over the last 10-15 years.
- Re-asses these advances in the light of crisis setbacks and the accentuated challenges of delivering pensions in a context of lower employment, lower growth, accelerating ageing, and strongly deteriorated fiscal positions.
- Conclude by indicating the main tenets of an updated agenda for securing adequate and sustainable pensions.
- Contain country fiches.

### **V. Deliverables** (see attached roadmap below for details)

- **Interim report** – *containing interim versions of Parts I to IV as given in the draft outline annexed* - submitted to the EPC on 30 March and the SPC on 20 and 21 April 2010, Burgos (ES Presidency conference) 22-23 April and subsequently to the EPSCO and ECOFIN meetings on 7 and 8 June 2010.

- **Final report** – *including also Parts V-VI and the Executive Summary as given in the draft outline annexed* - submitted to EPC and SPC meetings in October 2010 and subsequently to the EPSCO and ECOFIN meetings in November 2010 and to the European Council in December 2010 (to be decided).

### **VI. Roadmap for the preparation of the Joint EPC-SPC Report on Pensions**

The joint EPC-SPC-EC analysis of the pension strand and the preparatory steps of the results of this cooperation, i.e. **interim report** and **final report**, will be conducted by the two Committees according to the modalities set out in the following specific calendar. The two Committees will concentrate on adoption of a set of common main messages based on the joint analytic work.

<b>Date</b>	<b>Event</b>	<b>Action</b>
<b>December 2009</b>	<b>EPC and SPC</b>	Agreement on - timetable/objectives of cooperation - annotated outline Designation of members to follow the preparatory work
<b>January 30, 2010</b>	<b>Commission and designated EPC-SPC members</b>	First draft of chapters for consultation within the services and with designated pension experts from the Committees
<b>February 15, 2010</b>	<b>Commission and designated EPC-SPC members</b>	First draft of interim report for consultation with EPC and SPC Chairs
<b>March 16, 2010</b>	<b>SPC</b>	First discussion on draft Interim Report
<b>March 30, 2010</b>	<b>EPC</b>	First discussion on draft Interim Report
<b>Early April 2010</b>	<b>SPC – EPC Chairs + COM</b>	EPC and SPC Secretariats and the Commission meet to discuss the need for changes emerging from the debates in the two Committees*
<b>April 22-23, 2010</b>		Draft Interim report feeds into Presidency conference in Burgos
<b>May 18, 2010</b>	<b>SPC</b>	Endorsement of interim report
<b>May 20, 2010</b>	<b>EPC</b>	Endorsement of interim report
<b>May 2010</b>	<b>EFC</b>	Discussion of report by EFC
<b>June 7 / 8, 2010</b>	<b>EPSCO</b>	Submission of the Interim report and endorsement of the joint project in view of the Final Report
<b>June 8, 2010</b>	<b>ECOFIN</b>	Submission of the Interim report and endorsement of the joint project in view of the Final Report
<b>June/July 2010</b>	<b>Commission and designated EPC-SPC members</b>	First draft final report for consultation within the services and with designated pension experts from the Committees
<b>July/August 2010</b>	<b>SPC – EPC Chairs</b>	Draft final report to the EPC and SPC chairs for consultation
<b>September 13, 2010</b>	<b>SPC</b>	First discussion on draft Final Report
<b>September 2010</b>	<b>EPC</b>	First discussion on draft Final Report
<b>End September / early October 2010</b>	<b>SPC – EPC Chairs + COM</b>	EPC and SPC Secretariats and the Commission meet to discuss possible changes emerged during the debate in each respective Committee*
<b>October 2010</b>	<b>SPC and EPC</b>	Joint adoption of final report by the EPC and SPC
<b>November 2010</b>	<b>EPSCO and ECOFIN</b>	Submission of the Joint Report on Pension and draft conclusions
<b>December 2010</b>	<b>European Council</b>	Possible adoption of conclusions by the European Council

\* Following the meeting, the Chairs submit a revised version to the two Committees for final adoption.

## **Annex:**

### **Draft outline of final report**

#### *Executive summary*

This part would bring out the **main messages** from the analysis in the report, and highlight the possible policy implications, also at country level.

#### **PART I. An introduction to pension reform in the EU**

This chapter would:

- Highlight the main reasons for pension reforms that have been taking place in Europe including the threat to sustainable public finances from population ageing.
- Outline the European framework in support of pension reform including the Open Method of Coordination (SPSI) and the Laeken objectives, the three-pronged Stockholm strategy to coping with ageing and the EUs fiscal framework, the Stability and Growth Pact.
- Signal the need for enhanced consistency in concepts and assessments methods between ISG and AWG to fully reflect the mutual consideration of adequacy and sustainability concerns thus increasing the evidence base and credibility of the exercise. Moreover, develop further the analytical base, including indicators, in the medium term, for example through micro-simulation models.

#### **PART II. A decade of pension reform in the EU**

This part would analyse the main trends in reforms aimed at making pension systems adequate and sustainable such as:

- the strengthening of contributory principles (i.e. increasingly tighter links between contributions and benefits, stricter eligibility rules, longer contributory periods/higher pensionable ages - all adding up to larger actuarial fairness and stronger work incentives);
- the greater role for pre-funding notably through introduction or expansion of privately managed, fully funded schemes;
- the establishment of automatic adjustment (related to longevity, economic growth etc.) or periodic review mechanisms, including both sustainability and adequacy aspects;
- better coverage, improved minimum pensions and indexation of pensions in payment;
- the increasing complexity of pension systems and the pension package as Member States have moved towards multi-pillar provision and hybrid schemes;
- the flanking of pension reforms by labour market measures seeking to enable and motivate more people to work more and longer.

Drawing on the calculations and analysis in the 2009 Ageing Report, the 2009 Sustainability Report and the 2009 and 2010 Joint Social protection and Social Inclusion Reports this chapter will examine whether and to what extent the results of these reforms and other policies over the last decade have put Member States on course towards sustainable and adequate pensions.

### **PART III. The impact of the crisis**

The overall social impacts of the crisis on retired persons will be analysed using material from the monitoring exercise carried out by the SPC. The budgetary impact of the crisis on pension spending over the medium and long-term would be based on recent work carried out by the EPC-AWG and the Commission. The impact of the crisis on funded pension systems will be addressed. The specific consequences for various pension schemes and for individuals of different cohorts and income groups will be analysed using a range of measures of adequacy.

### **PART IV. Policy Challenges over the long-term**

This part would identify the main challenges for policy arising from the analysis carried out in parts I – III above. It would look at likely future increases in pension expenditures in a no-policy change scenario characterised by a declining working age population, lower GDP growth rates and public budgets constrained by high debt and deficit levels. It would then illustrate and discuss possible impacts of potential mitigating factors such as higher productivity and employment growth, longer and less interrupted work careers, changes to contributions and benefits and further developments of multi-pillar pension systems. In addition, the role of budgetary policies in contributing to more long-term sustainable public finances will be considered.

### **Part V. Policy implications**

On the basis of the challenges for pensions of various exit strategies and longer term growth scenarios as examined in part IV, the different policy choices in order to achieve the commonly agreed pension objectives will be discussed. In conclusion the main elements of updated strategies for delivering adequate and sustainable pensions would be set out.

### **PART VI. Country fiches**

Key messages and data identifying the strengths, weaknesses and main challenges for the pension system as well as possible ways forward for each Member State will be provided, while adhering to the principles of the Social OMC.