

Medlemmerne af Folketingets Europaudvalg  
og deres stedfortrædere

Asiatisk Plads 2  
DK-1448 København K  
Tel. +45 33 92 00 00  
Fax +45 32 54 05 33  
E-mail: um@um.dk  
Telex 31292 ETR DK  
Telegr. adr. Erangeres  
Girokonto 300-1806

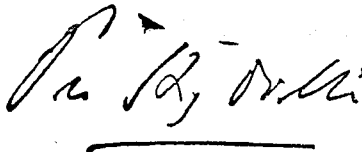
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Til underretning for Folketingets Europaudvalg vedlægges i forbindelse med Det Europæiske Råd i Laeken den 14.-15. december 2001 Rådets rapport vedrørende pensioners kvalitet og bæredygtighed. Fælles rapport vedrørende målsætninger og arbejdsmetoder på pensionsområdet.

  
P. H. Olsen





COUNCIL OF  
THE EUROPEAN UNION

Brussels, 23 November 2001

14098/01

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**FORWARDING OF A TEXT**

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to : Coreper/Council (Employment and Social Policy)

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No. Cion Comm : 10672/01 ECOFIN 198 SOC 272

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Subject : **Quality and viability of pensions**  
**- Joint report on objectives and working methods in the area of pensions**

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Delegations will find attached a report on objectives and working methods in the area of pensions drawn up jointly by the Social Protection Committee and the Economic Policy Committee, in preparation of the Spring 2002 European Council.

Coreper and the Council are invited to endorse the report and to transmit it to the Laeken European Council in December 2001, in accordance with the conclusions of the Stockholm and Göteborg European Councils.

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Translations provided by the Commission services

14098/01

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**Joint report of the Social Protection Committee and the Economic Policy Committee on objectives and working methods in the area of pensions: applying the open method of co-ordination.**

**Introduction**

The European Council in Stockholm noted that demographic developments will create substantial pressure on social welfare systems, in particular pensions, health care and care for the elderly<sup>1</sup>. It was agreed in the 2001 Broad Economic Policy Guidelines that the coming decade offers an opportunity to address these challenges by raising employment rates, reducing public debt and adapting social protection systems, including pension systems.

The European Council in Goteborg endorsed three broad principles for securing the long-term sustainability of pension systems: safeguarding the capacity of systems to meet their social objectives, maintaining their financial sustainability and meeting changing societal needs.

The European Council in Stockholm and Goteborg called for the application of the open method of coordination to the domain of pensions policy on the basis of joint work to be undertaken by the Social Protection Committee and the Economic Policy Committee. The Goteborg European Council also agreed that Member States' comprehensive strategies for addressing the economic and budgetary challenges posed by ageing populations should be presented in conjunction with stability and convergence programmes and be examined in the context of multilateral surveillance, taking due account of the subsidiarity principle.

The present report responds to the request of the European Council to apply the open method of co-ordination in the domain of pensions policy. To this end it proposes a set of objectives and working methods with a view to creating an integrated framework for policy co-operation in this field. The aim is to help Member States to develop their own national strategies for securing adequate and sustainable pension provision in the long run.

As proposed by the Commission<sup>2</sup>, the appropriate approach at EU-level is to combine the existing policy processes that are relevant for the future of pension systems with the *open method of co-ordination* in a way that does not change the respective responsibilities of policy makers at European and national level. It remains a matter for Member States to determine their own pensions policies.

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<sup>1</sup> Projections made by the EPC show that notwithstanding reforms during the 1990s, ageing populations could lead to increased expenditure on public pension of between 3 and 5 percentage points of GDP in most Member States in the coming decades leading up to 2050.

<sup>2</sup> Commission Communication of 3 July 2001 "Supporting national strategies for safe and sustainable pensions through an integrated approach" (COM(2001) 362 final)

In accordance with the principle of subsidiarity, the *open method of co-ordination* involves agreeing broad common objectives, translating these objectives into national policy strategies and, as part of a mutual learning process, monitoring progress periodically and, as far as possible, on the basis *inter alia* of commonly agreed and defined indicators.

### **Enhancing consistency between existing processes**

The open method of co-ordination applied to pension policies will take its place alongside a range of existing, well functioning EU processes which, as part of their wider remit, deal with aspects of pension policies. It will be important to ensure coherence with the processes which are already established. These include:

The **Broad Economic Policy Guidelines (BEPG)**, which by the power of the Treaty are at the centre of economic policy coordination. The BEPG address, *inter alia*, the economic and budgetary challenges posed by ageing populations. They also provide the framework for policy recommendations in this regard and for monitoring the implementation of these recommendations.

The **multilateral surveillance process (including the Cardiff process)** which serves both as a follow-up process to the BEPG and as a basis for preparing new recommendations. The 2001 BEPG suggest that Member States' strategies for addressing the economic and budgetary aspects of the challenge posed by ageing populations should be examined in the context of the multilateral surveillance procedure.

The **Stability and Growth Pact** which has the objective of ensuring sound public finances. It has been agreed that the Council should regularly review the long-term sustainability of public finances, including the expected strains caused by the demographic changes ahead not only in the BEPG but also in the examination of Member States Stability and Convergence Programmes. There, Member States outline summary information on the concrete short- to medium term measures they are taking to tackle the longer-term budgetary implications of ageing.

The **European Employment Strategy**, based on the Employment Title introduced in the Treaty of Amsterdam, established a process for strengthening policy co-operation in the field of employment. It involves the annual adoption of Employment Guidelines to which Member States respond in National Action Plans for Employment, which are in turn examined in a Joint Commission/Council Report. It focuses strongly on raising employment rates, including for older workers: the European Council in Stockholm has linked these objectives directly to the aim of securing the long-term sustainability of pension systems.

**The Social Inclusion Process** followed the commitment at the Lisbon European Council to make a decisive impact on the eradication of poverty and social exclusion. Member States agreed a set of common objectives at the Nice European Council. As with Employment, the process involves the preparation of National Action Plans and examination in a Joint Commission/Council Report. The first set of National Action Plans show that pension systems are an important component of overall policies to combat poverty and social exclusion.

It will be a specific objective of the proposed new method to provide, in an integrated way, information and analysis on national pension strategies which can help to ensure consistency between these processes in their treatment of pension policies. Thus it will make it possible to address policy issues regarding pensions in conformity with the open method of coordination as provided for in the relevant European Council conclusions. As stated in the conclusions of the European Council Meeting at Goteborg, "the results of the work (on pensions) will be integrated into the Broad Economic Policy Guidelines", which are at the centre of economic policy coordination and provide the framework for the definition of overall policy objectives and orientations.

#### **The contribution of the open method of coordination**

The contribution of the open method of co-ordination will be to integrate the economic and social dimensions and to provide:

- An integrated reporting framework on all issues relating to future pension provision;
- A framework for different actors at the EU level to develop a common understanding of national strategies in this regard; and
- Detailed information and analysis regarding national pension strategies which will feed into the formulation of policy recommendations within the Broad Economic Policy Guidelines and in the preparation of other processes.

For this method to be effective, Member States should submit national pension strategy reports which describe their comprehensive policy strategies for securing the sustainability of pension provisions and, where necessary, for modernising pension systems. They should mainly focus on pension systems and contain information on reforms in all policy domains relevant to pension systems, which have been carried out recently or which are envisaged. If possible, they should also contain relevant data which will help to assess progress towards the broad common objectives, including the long-term sustainability of pension systems.

The preparation of these national strategy reports should be undertaken in an integrated way. Their preparation will benefit from the consultation of all relevant actors, in particular the social partners, in accordance with national practices and traditions in this regard. At the EU level, the national strategy reports should be analysed in a joint Council/Commission report on pension policies prepared on the basis of a Commission's proposal. The relevant Council formations should work together closely in this process. In practice, reflecting the mandate given by the European Council in Goteborg, this work will involve the closest possible co-operation between the SPC and the EPC and, in addition, will draw on work done by other committees such as the EMCO and the EFC.

Accordingly, the Council, having regard to the guidelines for applying the open method of co-ordination outlined by the Lisbon European Council, to the requests that this method be applied in the area of pensions at the Stockholm and Goteborg Councils, and, taking into account the Communication of the Commission, proposes that the broad common objectives and working methods outlined in the attached document should be adopted.

### **BROAD COMMON OBJECTIVES AND WORKING METHODS IN THE AREA OF PENSIONS**

In full respect of the principle of subsidiarity and of Member States competence to define national pension policies, the Council proposes to the Laeken European Council that the open method of coordination should be used in the area of pensions to help Member States progressively develop their own policies so as to safeguard the adequacy of pensions whilst maintaining their financial sustainability and facing the challenge of changing social needs. In this respect, Member States should ensure that pension systems support broad social and economic goals, including greater social cohesion and integrated labour and capital markets. Within this framework the following broad common objectives are recognised.

- **Adequacy of pensions.**

**Member States should safeguard the capacity of pension systems to meet their social objectives. To this end against the background of their specific national circumstances they should:**

- 1. Ensure that older people are not placed at risk of poverty and can enjoy a decent standard of living; that they share in the economic well-being of their country and can accordingly participate actively in public, social and cultural life<sup>3</sup>;*
- 2. Provide access for all individuals to appropriate pension arrangements, public and/or private, which allow them to earn pension entitlements enabling them to maintain, to a reasonable degree, their living standard after retirement; and*
- 3. Promote solidarity within and between generations.*

- **Financial sustainability of pension systems**

**Member States should follow a multi-faceted strategy to place pension systems on a sound financial footing, including a suitable combination of policies to :**

- 4. Achieve a high level of employment through, where necessary, comprehensive labour market reforms, as provided by the European Employment Strategy and in a way consistent with the BEPG;*
- 5. Ensure that, alongside labour market and economic policies, all relevant branches of social protection, in particular pension systems, offer effective incentives for the participation of older workers; that workers are not encouraged to take up early retirement and are not penalised for staying in the labour market beyond the standard retirement age; and that pension systems facilitate the option of gradual retirement;*

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<sup>3</sup> In this respect, benefits and tax advantages other than pensions should also be taken into account where appropriate.

6. *Reform pension systems in appropriate ways taking into account the overall objective of maintaining the sustainability of public finances. At the same time sustainability of pension systems needs to be accompanied by sound fiscal policies, including, where necessary, a reduction of debt<sup>4</sup>. Strategies adopted to meet this objective may also include setting up dedicated pension reserve funds;*
  7. *Ensure that pension provisions and reforms maintain a fair balance between the active and the retired by not overburdening the former and by maintaining adequate pensions for the latter; and*
  8. *Ensure, through appropriate regulatory frameworks and through sound management, that private and public funded pension schemes can provide pensions with the required efficiency, affordability, portability and security.*
- **Modernisation of pension systems in response to changing needs of the economy, society and individuals.**
9. *Ensure that pension systems are compatible with the requirements of flexibility and security on the labour market; that, without prejudice to the coherence of Member States' tax systems, labour market mobility within Member States and across borders and non-standard employment forms do not penalise people's pension entitlements and that self-employment is not discouraged by pension systems;*
  10. *Review pension provisions with a view to ensuring the principle of equal treatment between women and men, taking into account obligations under EU law; and*
  11. *Make pension systems more transparent and adaptable to changing circumstances, so that citizens can continue to have confidence in them. Develop reliable and easy-to-understand information on the long-term perspectives of pension systems, notably with regard to the likely evolution of benefit levels and contribution rates. Promote the broadest possible consensus regarding pension policies and reforms. Improve the methodological basis for efficient monitoring of pension reforms and policies.*

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<sup>4</sup> Member States strategies to ensure sound and sustainable public finances are reported and assessed in the framework of the BEPG and the Stability and Growth Pact and should be in accordance with these.

The Council proposes to the Laeken European Council the following working methods as the basis for the open method of co-ordination in the area of pensions.

#### The Member States

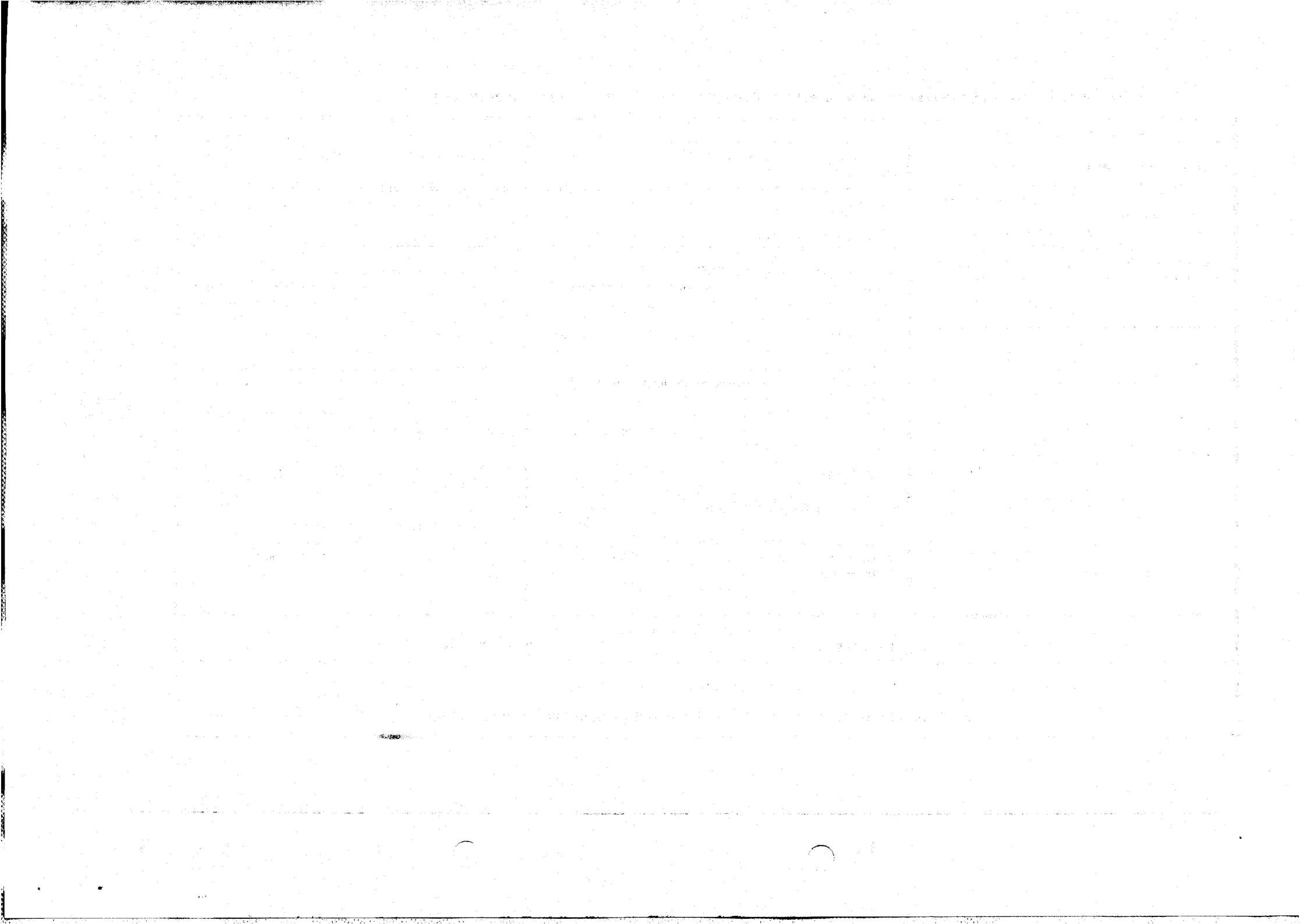
- are invited to develop their policies and priorities for reform of pension systems taking into account these overall objectives and to present, by September 2002, a first national strategy report for pensions . This report should contain a diagnosis of major challenges, information on relevant reforms which have been carried out recently or which are in preparation; if possible, it should also include relevant data which will allow consideration of the medium and long-term impact of current policies and reforms undertaken or in preparation;
- should ensure that these national strategy reports are prepared in an integrated way. Their preparation will benefit from the consultation of all relevant actors, in particular the social partners, in accordance with national practices and traditions in this regard;
- are invited to develop, at national level, appropriate monitoring mechanisms; and
- are invited to report annually on significant policy changes in the area of pensions, if necessary.

#### The Commission

- is invited, with a view to a joint Council/Commission report, to analyse the national strategy reports with regard to the broad common objectives and to identify good practice and innovative approaches of common interest to the Member States; and
- is invited to take the national strategy reports, as well as, where necessary, any information provided in the reports on significant policy changes **in future years**, into account when drawing up relevant policy reports, especially, the Implementation report of the BEPG, the recommendation for the Broad Economic Policy Guidelines, the draft Employment Guidelines, the Employment Recommendations and the annual synthesis report presented to successive Spring European Councils.

## The Council and the Commission

- should provide for the first time in 2003 a joint report to the Spring European Council meeting assessing national pension strategies and identifying good practice;
- are invited to use the open method of co-ordination and existing processes, in particular the BEPG, as a basis to further enhance co-operation at European level and to bring about a better understanding of the broad range of issues surrounding the future provision of pensions and to promote exchanges of good practice;
- are invited to develop common approaches and compatibility in regard to indicators in order to underpin the open method of co-ordination relating to the future of pensions. This co-operation should cover the preparation of simulations and projections relating to the medium and long-term prospects and implications of pension policies;
- should ensure that different policy processes which have a bearing on pension policies are coherent and complementary. In applying the open method of co-ordination to pension systems, they should recognise the distribution of policy responsibilities between different actors and seek to integrate effectively the distinct contributions of various branches of government at the national level and relevant policy Committees and Council formations at the EU level. The Social Protection and Economic Policy Committees will have the particular responsibility of promoting this co-ordination (see Annex);
- will assess before the end of 2004 the objectives and working methods established here and will decide on the objectives, methods and timetable for the continuation of this co-ordination; and
- should keep the European Parliament informed of its work in regard to the challenge of providing safe and sustainable pensions.



**THE ROLE OF EUROPEAN INSTITUTIONS AND POLICY COMMITTEES RELATED TO PENSION SYSTEMS**

<b>European Commission</b>	<b>Council</b>	
<ul style="list-style-type: none"> <li>- monitors national pension reform processes</li> <li>- recommends Broad Economic Policy Guidelines</li> <li>- proposes Employment Guidelines and recommends recommendations</li> <li>- contributes to joint Council/Commission report assessing national pension strategies</li> <li>- works with advisory committees on specific aspects</li> <li>- liaises with European Social Partners and relevant NGOs</li> </ul>	<p align="center"><b>ECOFIN</b></p> <p>Broad Economic Policy Guidelines and multilateral surveillance process</p> <p>Stability and Growth Pact</p>	<p align="center"><b>Employment and Social Policy (ESP)</b></p> <p>Employment process and open method of co-ordination applied to social protection, social integration and pensions</p>
	<p><b>Economic Policy Committee (EPC)</b></p> <ul style="list-style-type: none"> <li>- assists the Council and the Commission in the assessment of national pension strategies, with a focus on the economic and budgetary implications of pensions systems as part of the multilateral surveillance process (Article 99 of the Treaty)</li> <li>- assists the Council in drafting the joint Council/Commission report on pension reforms</li> <li>- develops indicators, particularly for the long-term financial sustainability of pension systems and prepares simulations to be carried out by Member States</li> <li>- will work jointly with the SPC on implementing the open method of co-ordination with regard to pensions.</li> </ul> <p><b>Economic and Financial Committee (EFC)</b></p> <ul style="list-style-type: none"> <li>- assists the Council in its work on the BEPG</li> <li>- assists the Council in its work on Stability and Convergence Programmes</li> </ul>	<p><b>Social Protection Committee (SPC)</b></p> <ul style="list-style-type: none"> <li>- assists the Council and the Commission in the assessment of national pension strategies, with a particular focus on the adequacy of pensions and adaptation to a changing society as part of the open method of coordination</li> <li>- assists the Council in drafting the joint Council/Commission report on pension reforms</li> <li>- develops indicators, particularly for the adequacy and adaptability of pension systems</li> <li>- will work jointly with the EPC on implementing the open method of co-ordination with regard to pensions.</li> </ul> <p><b>Employment Committee (EMCO)</b></p> <ul style="list-style-type: none"> <li>- assists the Council and the Commission in the assessment of progress under the European Employment strategy and in particular the evolution of employment rates</li> </ul>
<p align="center"><b>European Parliament</b></p> <p align="center">- is being kept informed by the Council and the European Commission</p>		
<p align="center"><b>European Council</b></p> <p align="center">- gives general political guidelines and assesses progress at Spring meeting</p>		