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Subject: Adequate retirement incomes in the context of ageing societies
- Council Conclusions

Delegations will find attached the final version of the conclusions as adopted by the Council (EPSCO) on 5 October 2015.

Adequate retirement incomes in the context of ageing societies

Council Conclusions

Following the publication of the *2015 Ageing Report: economic and budgetary projections for the 28 EU Member States and Norway (2013-2060)* which the Council endorsed on 12 May 2015, the Social Protection Committee and the Commission (DG EMPL) presented the *2015 Pension Adequacy Report: current and future income adequacy in old age in the EU*. This report builds on the demographic and economic assumptions underlying the *Ageing Report* and examines whether and how Member States will be in a position to deliver adequate retirement incomes.

The *2015 Ageing Report* found that in most countries, recent pension reforms will contain the public expenditure dynamics until 2060 in spite of the significant rise in the proportion of older people. However, some Member States could still experience an increase in public pension expenditure between two and four percentage points of GDP.

The 2015 Pensions Adequacy Report shows that risks for the future sustainability of public finances can stem not only from a lack of pension reforms aimed at curbing future spending trends; there is also a risk of detrimental policy reversals if reforms leave an increasing number of older women and men without adequate incomes.

The Council therefore **STRESSES** the importance of monitoring adequacy trends both from a social and fiscal perspective.

The Council ENDORSES the key messages identified by the Social Protection Committee and notes in particular that:

- many recent reforms have focused on securing financial sustainability by promoting longer working lives, through increases in pensionable ages and measures to restrict an early exit from the labour market, thereby overcoming the trade-off between adequacy and financial sustainability;
- whereas for the EU as a whole, pensions currently provide most people sufficient protection against poverty risks and adequate income security in old-age, several Member States still need to put more effort into tackling poverty risks in old-age, including severe material deprivation, and guaranteeing income security in old-age;
- regarding future adequacy of pensions, declining income replacement rates from public pension schemes over the next 40 years will mean that for some Member States income maintenance after retirement will increasingly depend on supplementary pension provisions and savings;
- providing effective protection against poverty and guaranteeing income security in old age could also be made more difficult by reforms that seek to ensure financial sustainability by lowering benefits, implementing a weaker index-linking of pensions in payment and unduly shifting economic risks from pension schemes to individuals;
- not all Europeans have the opportunity to work in quality employment or are able to save for their retirement to the extent that they can accumulate sufficient pension entitlements; moreover, many are not able to stay in employment for long enough to reach the increasing statutory retirement ages and thus avoid early exit penalties;

- priority therefore needs to be given to providing women and men with the life-long learning, training, health and social support that will enable women and older workers in particular to remain in quality employment over the whole life cycle, resulting in higher labour force participation and fuller careers and thus an earnings history that will result in an adequate pension;
- it is essential that public pension or other social protection schemes contain appropriate safeguards for women and men whose employment opportunities do or did not allow them to build up sufficient pension entitlements; such safeguards notably include minimum pensions or other minimum income provisions for older people as well as redistributive features such as credits for periods during which they are unable to build full entitlements because of involuntary absence from work due to caring duties, sickness or unemployment.

To help Member States pursue reforms which avoid future adequacy risks while securing the long-term financial sustainability of pension systems, and to do this whilst respecting the prerogatives of Member States in the field of social protection, the Council **CALLS ON** the Commission and Member States to

- work together to investigate in more depth those population groups that are most at risk of suffering from insufficient incomes in old age (e.g. women, younger workers, migrants, the low-skilled or low-waged);
- consider how to address future adequacy and poverty risks through country specific and appropriate prevention measures in the area of employment and through mitigating provisions in pension or other social protection schemes;

- review in the Social Protection Committee and in the Employment Committee policies that enhance the employment opportunities of older workers especially considering economic, work, health and social variables that potentially affect late careers and the transition from work to retirement;
- examine how those pension systems in which pension adequacy will depend strongly on supplementary retirement savings can promote savings in the most cost-effective ways;
- review in the Social Protection Committee features in pension and other social protection schemes that can reduce the risks of poverty and inadequate pensions, including, where appropriate, the redistributive nature of links between contributions and benefits, pension credits, minimum income provisions, and provisions for women and men forced to leave the labour market early due to invalidity or unemployment; this work should take into account inequalities, notably in health and labour market opportunities and possibilities for reconciling employment and care responsibilities, affecting different groups of women and men, with a special focus on pensioners living alone or benefiting from derived rights such as survivors' pensions;
- enhance the capacity for anticipating adequacy and financial sustainability challenges over the medium term (10 to 15 years) through the use of administrative data, modelling tools and surveys such as EU-SILC, eHIS and SHARE, thus enabling Member States to implement appropriate corrective reform measures in accordance with the specific national economic, fiscal and wider social circumstances;
- make such forward-looking information available to policy makers and the general public as a basis for a more informed decision-making process;

- ensure that women and men are aware of the impact of their career decisions on their future pension amounts and that they can obtain, through pension statements and tracking services, a clearer picture of their prospective income situation after retirement and of their options for improving it;
- invite the **Social Protection Committee** to cooperate closely with international organisations such as the OECD, the World Bank and ILO in exploring the most appropriate policy responses to rising challenges, whilst recognising that Member States remain responsible for designing their pensions systems; this should enable Member States to benefit also from the experiences of countries outside the EU facing similar problems with regard to ensuring the future adequacy of pensions in ageing societies;
- present findings and policy recommendations based on this work to the Council.
