



**COUNCIL OF  
THE EUROPEAN UNION**

**Brussels, 30 November 2007**

**15978/07**

**SOC 516**

**NOTE**

---

from : The Presidency  
to : COUNCIL (Employment, Social Policy, Health and Consumer Affairs)

---

**Subject : Conference "The Paths of Sustainability and the Reform of Pensions  
Systems" (13 and 14 November 2007)**

---

**(Any other business item)**

---

Delegations will find attached a note by the Portuguese Presidency on the outcome of the above-mentioned conference.

## CONFERENCE

### “THE PATHS OF SUSTAINABILITY AND THE REFORM OF PENSIONS SYSTEMS”

13 and 14 November 2007

---

#### **Main ideas/ key messages emphasized at the Conference**

The guidelines resulting from this Conference highlight the importance of the European social dimension, necessarily achieved throughout the reinforcement of our European Social Model

**Demographic changes**, namely increasing life expectancy and low birth rates, change intergenerational balances and **raise serious sustainability issues for pension systems**. Reliable and viable pension systems are in turn crucial to the overall logic and sustainability of economic and social models.

**The challenges of sustainability are triple: financial, economic and social**. Thus, the modernization of pension systems should guarantee not only the financial sustainability of social protection and pension from the point of view of resources and public finances, but also suitable relations between social protection models, economy and employment dynamics, as well as adequacy of policies towards the configuration of social risks and needs.

The presentation of several paths of reform underlined that **pension systems reform depends on the distinctive characteristics of each country** towards adapting these systems. However, **although there is no single solution for reform because the positions of departure and reform options often vary, common basic challenges are similar** and the agenda of sustainability is widespread.

This creates **room for a European role** with regard to financial, economic and social sustainability. **The Open Method of Coordination (OMC) is meaningful** as a mechanism of sharing knowledge, mutual learning and disseminating good practices at the European level. It is very fruitful to Member-States in a context of common challenges, uncertainty and the long-term implications

typical to ageing and the architecture of pension systems. Moreover, **the SPC should play a more active and leading role in this field**, given the relevance of these issues to social cohesion and to social protection systems in the long term. There is already agreement on basic principles and objectives, such as economic growth, employment and social cohesion. Therefore, **in the context of the Lisbon Strategy, active ageing and the modernization of pension systems should be a topic for further developments in the next cycle, given its structural relevance and its direct relation to all three basic objectives** of that agenda.

In the framework of the debate of social protection systems, an important focus should be on **employment and productivity**. In fact, longer working lives are an essential factor for the sustainability pension systems. The **lifelong learning** practices are a crucial element to reinforce both active ageing and the pension systems. The promotion of active ageing depends mainly on the improvement of the **quality of jobs**, particularly in working and health conditions, as well as the role of the employers in creating jobs for older workers. It is, however, crucial to ensure an adequate income for the elderly after leaving the labour market and to respond in socially adequate ways to changing social risks related to ageing.

Notwithstanding the reinforcement of **funding** (in some European countries) in pension systems, or options that may be adequate for specific models, the **core pillar is the Pay-As-You-Go (PAYG) system** that has several advantages vis-à-vis funding. The PAYG system is the safest for the elderly and the most transparent in general. From a macroeconomic point of view, this system can work as an automatic buffer and generates fewer inequalities among pensioners. Funding cannot by itself solve the demographic problems that affect pension systems. It has a role to play as a pension complement based on individual or occupational savings.

**Transparency and long-term reliability are essential** for systems with such financial, economic and social implications for all citizens. **Public policies and authorities have a primary role in securing those conditions. Financial education**, which is linked to funding and is required in several situations (consider the sub-prime case), is central to allowing individuals not only to better manage their income but also to choose the right retirement options and to fully understand the basic logics and responsibilities of pension systems.

The **role of social partners is very important** in the context of designing and implementing transparent pension systems reform. Social dialogue should involve the participation of social partners, civil society, political parties and all citizens. This is crucial for improving and reinforcing the confidence of citizens and their commitment to rights and responsibilities, enhancing full citizenship.

---