



**COUNCIL OF
THE EUROPEAN UNION**

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NOTE

from: The Working Party on Social Questions
to: Permanent Representatives Committee (Part I) / Council (EPSCO)
Subject: Sustainable social security systems achieving adequate pensions and social
inclusion objectives
- Draft Council Conclusions

Delegations will find attached draft Council conclusions as finalised by the Working Party on Social Questions at its meeting on 11 May 2010.

All delegations have maintained linguistic reservations pending availability of the texts in their own language versions.

**DRAFT
COUNCIL CONCLUSIONS**

on

"Sustainable social security systems achieving adequate pensions and social inclusion objectives"

THE COUNCIL OF THE EUROPEAN UNION

TAKING INTO ACCOUNT

1. the role that minimum pensions, or minimum income provisions for older people, play as a tool for social inclusion policies and strategies combating poverty, especially for pensioners in situations of greater vulnerability, due to advanced age, incomplete periods of insurance, short and atypical careers and low levels of earnings and contributions;
2. the fact that pensions reforms in many Member States during the last decade have focused on ensuring financial sustainability by reinforcing the relationship between contributions and benefits with some implications for replacement rates and the meeting of adequacy objectives;
3. that measures to address adequacy gaps, for instance through efforts to broaden coverage, support accrual of pension rights, easing access to pensions for vulnerable groups and increase in financial support for poorer pensioners have also been taken;
4. the fact that some Member states are paying particular attention to minimum pensions or minimum income provisions, as a contribution for alleviating the impact of the crisis on those older people who do not benefit from an adequate pension.

EMPHASIZING

5. that Member States, where necessary, should continue consolidating mature social security systems, which on the basis of sufficient contributions throughout the working life cycle, can deliver adequate pensions for women and men in a sustainable manner;
6. that achieving an adequate balance between minimum pensions or minimum income provisions for older people, and contributory requirements in the design of pensions systems, avoiding disincentives to employment while addressing financial sustainability challenges, will continue to be an essential objective of Member States policies;
7. that the 2010 European Year for Combating poverty and social exclusion is an appropriate opportunity to renew the EU's social protection commitments with regard to the fight against poverty.

RECALLING

8. the common objectives for pensions, as confirmed in 2006, according to which the Member States are committed to provide adequate and sustainable pensions by ensuring:
 - a. Adequate retirement incomes for all and access to pensions which will allow people to maintain, to a reasonable degree, their living standard after retirement, in the spirit of solidarity and fairness between and within generations;
 - b. The financial sustainability of public and private pension schemes, bearing in mind pressures on public finances and the ageing of populations, and in the context of the three- pronged strategy for tackling the budgetary implications of ageing, notably by supporting longer working lives and active ageing, by balancing contributions and benefits in an appropriate and socially fair manner, and by promoting the affordability and the security of funded and private schemes;

- c. that pension systems are transparent, well adapted to the needs and aspirations of women and men and the requirements of modern societies, demographic ageing and structural change; that people receive the information they need to plan their retirement and that reforms are conducted on the basis of broadest possible consensus.
9. the three-pronged Stockholm strategy¹, according to which the Council should regularly review the long-term sustainability of public finances, including the expected strains caused by the demographic changes ahead. The policy response should be organized around the three prongs:
- reducing debt at a fast pace
 - raising employment rates and productivity and
 - reforming pension, healthcare and long-term care systems
10. the work of the SPC on minimum pensions or minimum income provision for older people², Theoretical Replacement Rates³, privately managed funded pensions⁴, promoting longer working lives⁵, and the assessment of Member State policies in this area⁶, as well as the EPC's quantitative assessment of the long-term impact of ageing on public finances⁷.

¹ As agreed by the European Council meeting in Stockholm in 2001.

² "Minimum income provision for older people and their contribution to adequacy in retirement", SPC, December 2006.

³ "Updates of current and prospective Theoretical pension Replacement Rates 2006-2046", SPC, July 2009.

⁴ "Privately managed funded pension provision and their contribution to adequate and sustainable pensions", SPC, 2008.

⁵ "Promoting longer working lives through pension reforms", SPC 2007&2008, <http://ec.europa.eu/social/main.jsp?catId=752&langId=en&moreDocuments=yes>

⁶ E.g. Joint Report on Social Protection and Social Inclusion 2009, <http://ec.europa.eu/social/main.jsp?catId=757&langId=en>

⁷ "Ageing Report 2009", European Commission-EPC, http://ec.europa.eu/economy_finance/publications/publication_summary14911_en.htm

ACKNOWLEDGES

11. that pension systems in most Member States have changed considerably in the course of the last decade and that there has been considerable progress in reforming pension arrangements in the Member States in order to better accommodate the demographic change;
12. that minimum pensions or minimum income provisions for older people play an important role in many Member States in preventing and addressing poverty and social exclusion among old age pensioners;
13. that the challenges of transforming pension systems to better cope with an ageing population still remain valid and that there is a need for each Member State to address jointly issues pertaining to adequacy and sustainability of pensions systems, in order to ensure consistency among policies in the current context of public finances constraints and the approaching of the challenges raised by demographic ageing;
14. that, while Member States face similar fundamental challenges, the situation differs considerably across the Union, both in terms of demographic prospects, economic growth potential, design of pension arrangements as well as in terms of constraints on account of the fiscal situation and external competitiveness;
15. that every Member State at national level should find its own specific solutions in order to ensure that its pension system is adequately positioned to meet the social protection objectives for which it was established while remaining financially sustainable;
16. that, nonetheless, it is desirable to strengthen current open coordination at European level on pensions based on common objectives in response to the common challenges our systems face, with a view to promoting sustainable and adequate retirement incomes;

17. that better coordinated work at EU level on concepts, measurements and data would help Member States to fully ascertain the balance between adequacy and sustainability in pension systems.

CALLS ATTENTION TO

18. in the context of the ongoing overall discussions on the Europe 2020 Strategy, the value of developing fully this integrated approach through common work at European level using the framework provided by the open method of coordination in the field of social protection and inclusion, as a mechanism that has confirmed its ample potential;
19. the importance of a closer collaboration between the SPC and the EPC and the subsequent coordination and collaboration between EPSCO and ECOFIN on issues related to the ageing of population and pension issues;
20. the importance of social dialogue and the involvement of social partners and all relevant actors in the context of designing and implementing pension systems reforms as a crucial element to reinforce confidence of citizens and their commitment to rights and responsibilities.

CONSIDERS THAT

21. the following issues regarding adequacy objectives deserve focused attention, while taking account of the need to ensure the financial, economic and social sustainability of pensions systems:
 - Measurement and monitoring of adequacy.

- The design of minimum income provisions for older people while avoiding undermining work incentives prior to retirement.
- Conditions for qualifying for an adequate pension (contribution record criteria, career breaks, pensionable age etc.).
- Indexation and adjustment of minimum pensions or minimum income provisions for older people.
- Positive evolution of the participation of older workers in the labour market.

WELCOMES

22. the good cooperation between the EPC and the SPC in their Joint Interim Report, in analyzing the pension challenges, addressing jointly issues pertaining to adequacy and sustainability of pensions systems, in order to ensure consistency among policies in the context of the approaching of the challenges raised by demographic ageing;
23. the intention of the European Commission to present a green Paper on the EU framework for pensions in view of the challenges posed by the ageing and the economic crisis;
24. the collaboration between the European Commission and the Member States in making effective use of the opportunities provided by the Open Method of Coordination in the field of pensions;
25. the support of the European Commission to the efforts of national policy makers and key stakeholders to deliver adequate and sustainable pensions taking into account a gender perspective approach and under changed economic conditions in the context of population ageing;

26. the current work at EU level on concepts, measurements and data related to pension systems and invites the European Commission to consider how enhanced cooperation on these issues could be achieved;
27. the support provided by the Commission to Member States in the building up of their capacity to use administrative data and modeling techniques for enhancing the analysis of pension systems and assessment of reforms and invites the European Commission to pursue further work at EU level aimed at the use of pensions administrative data and modeling techniques in pension systems analysis and assessment of reforms.

INVITES THE SOCIAL PROTECTION COMMITTEE

28. to follow regularly the evolution of minimum pensions and minimum income provisions for older people in Member States, and especially their impact on the risk of poverty of older pensioners and to examine more in depth the interrelation between the process of the maturing of social security systems reforms and minimum pensions or minimum income provisions for older people with due attention to the impact on women and men;
29. to analyse and identify good practices for social inclusion in the articulation of minimum pensions or minimum income provisions with other related policies, such as health promotion policies, access to health care and social services, active social inclusion policies and active ageing strategies, taking into account the need for ensuring the effectiveness and efficiency of social spending;
30. to address the issue of the adequacy of the total pension package (i.e. the role of different public/private components) for women and men while taking into account the need to secure long term financial sustainability of pension systems.