Parliamentary Assembly
Assemblée parlementaire
http://assembly.coe.int

COUNCIL OF EUROPE CONSEIL DE L'EUROPE

Provisional edition
AS/Soc (2012) 08
15 March 2012
Asocdoc08_2012

Committee on Social Affairs, Health and Sustainable Development

Decent pensions for all[1]

Rapporteur: Mr Denis JACQUAT, France, EPP/CD

Draft report

A. Preliminary draft resolution

1. European pension systems are faced with the challenges of demographic developments which are threatening the stability of the inter-generational contracts in place since the early 20th century: the trend towards ageing of the population, life expectancy well beyond retirement age and the imbalance between the number of pensioners and the number of contributors of working age are just some examples. In the current context of economic and financial crisis, the national austerity programmes adopted by many member states also have repercussions on pension systems and are leading to new social inequalities between pensioners.

2. The Parliamentary Assembly, conscious of the efforts made by the governments of numerous member states to enhance the viability of their pension systems, is concerned about the safeguarding of adequate pension levels offering pensioners a decent standard of living.

3. It therefore considers that pensioners require special protection in accordance with Article 23 of the revised European Social Charter (CETS no 163), which provides that Parties must, among other things, undertake to make available to elderly persons “adequate resources enabling them to lead a decent life and play an active part in public, social and cultural life”.

4. To take up the dual challenge of current demographic trends in Europe and the financial and economic crises, European pension systems should not be geared exclusively to a funded approach. While the use of such methods of financing pensions may represent a solution to the problem of demographic trends, they prove less effective in absorbing financial and economic shocks. The predominance of funded components would heighten the vulnerability of pension systems, which would become less resilient to the risks of the financial markets. To ensure the viability and sustainability of pension systems, a balance must therefore be struck between funded and pay-as-you-go components.

5. Given the ongoing financial and economic crises, the complexity of pension systems and the multitude of possible choices, it will, moreover, be vital to resolve the problem of state budget deficits in general, and in particular the deficits of public pension funds, in order to be able to maintain the principle of inter-generational solidarity. In this connection, a real revitalisation of the economy, which should also benefit individual households, will be the decisive factor in promoting a positive trend in pensions in Europe.

[1] New title suggested by the rapporteur (in view of the ongoing financial and economic crises) and submitted to the committee for approval. Previous title: “Decent pensions for all in a context of economic and financial crisis”.

6. The Parliamentary Assembly calls on all Council of Europe member states to apply the following principles in their national policies:

6.1. on a general level:

6.1.1. implement pension systems which reflect the complexity of today's work situations and lifestyles;

6.1.2. continue to combat the persistent inequalities in pension systems, especially between women and men;

6.1.3. initiate or complete pension reforms that both maintain the long-term viability of systems (including when facing future economic crises) and pension adequacy;

6.1.4. provide clear information which everyone can understand on the implications of current pension schemes, particularly in order to enlist sufficient support for future reforms;

6.2. with regard to the sustainability of systems:

6.2.1. adapt the retirement age and the level and period of contributions to take account of increased life expectancy;

6.2.2. design national pension systems based on several pillars and a "mix" of sources of pension income (funded and pay-as-you-go components), while preserving and consolidating inter-and intra-generational solidarity, which confirms the state's central role and state pensions as the bedrock of pension systems;

6.2.3. promote international co-operation on pensions, given that pensions are increasingly becoming a transnational matter extending beyond the European Union (migrant professionals, international pension funds, pensioners living out of the country etc);

6.2.4. where possible restrict access to early retirement schemes and other possibilities of early withdrawal from the labour market;

6.3. with regard to pension adequacy:

6.3.1. ensure an appropriate standard of living for pensioners by providing them, via the pay-as-you-go public pension system, with a minimum income at least equal to the national poverty threshold;

6.3.2. pursue policies promoting the creation of jobs with sufficient pay to increase the capacity of individuals to provide for their retirement and promote such supplementary provision;

6.3.3. take account of the new lifestyles of families and the increase in average life expectancy in the resources allocated to public pension funds;

6.3.4. find appropriate solutions for people with periods in which they have made no pension contributions (such as people (mainly women) with family responsibilities or people in low-paid or precarious jobs, or the long-term unemployed who are unable to contribute or save enough for a decent pension);

6.3.5. provide financial assistance for parents with dependent children to enable them to bring up and support their children and, at the same time, save enough for their own retirement;

6.3.6. provide specific solutions for categories of people who require special protection and are less able to prepare for their retirement (people with disabilities, migrants etc);

6.3.7. make it easier for older workers to continue working on a gradually decreasing basis and allow them to combine a pension with a part-time salary;

6.3.8. to take into account the problems of dependence;

6.4. as a complement to measures concerning pension systems and as part of general policy for the elderly, promote innovatory approaches such as services for the elderly (based, for example, on mutual assistance schemes) which could supplement measures taken in respect of pensions.

B. Preliminary draft recommendation

1. In an economic, demographic and social context putting a huge strain on European pension systems and requiring far-reaching reforms to ensure their sustainability, the Parliamentary Assembly is concerned about the issue of pension adequacy, i.e. the safeguarding of adequate pensions for all pensioners. The trends towards smaller pensions and increased use of funded schemes are creating new intra- and inter-generational inequalities and therefore pose a threat to social cohesion in many member states.

2. Referring to Resolution … (2012) on "Decent pensions for all" and Resolution 1752 (2010) on "Decent pensions for women", the Parliamentary Assembly calls on the Committee of Ministers to urge member states to:

2.1. ratify the (revised) European Social Charter, which is the only binding Council of Europe instrument referring to the right of the elderly to "adequate resources enabling them to lead a decent life";

2.2. make it a political priority to review and, if necessary, revise their pension system;

2.3. take, particularly in the light of the current economic and financial crises, resolute measures not only to ensure the sustainability of pension systems, but also to guarantee adequate pensions for all, having regard to the specific situation of groups requiring special protection;

2.4. provide clear information which everyone can understand on the options available within national pension systems, which are often complex, to enable everyone to take their own measures to provide for themselves according to their means;

3. The Assembly invites the Committee of Ministers to study the questions of pensions and the standard of living of the elderly in the context of the intergovernmental activities conducted by the Drafting Group on the Rights of the Elderly (CDDH-AGE), with a view to exchanging good practices in this area and preparing practical instruments, such as guidelines, which can provide member states with guidance in their ongoing or forthcoming reforms. Active debate on this subject in the Council of Europe could also represent a significant contribution in the context of the European Year of Active Ageing and Solidarity between Generations 2012, launched by the European Commission.

C. Explanatory memorandum by Mr Jacquat, rapporteur

1. Introduction: aims and basis of this report, and approach adopted

1. Pension systems are a key issue in the political debates in most Council of Europe member states. The reforms initiated in the past few years throughout the continent must in particular respond to two big shared challenges: a demographic trend towards the ageing of the population and the impact of the current economic and financial crises on the incomes of the elderly. At the same time, member states have both to guarantee adequate retirement pensions, and therefore a reasonable standard of living, for current pensioners, and provide sustainable systems for future generations.

2. In this complex situation, the rapporteur draws the Assembly's attention to what he considers to be worrying trends in pension levels and the standards of living of elderly persons in Europe. Pensioners in a number of member states are facing significant difficulties in supporting themselves, particularly because of reductions in pensions. The impact of measures taken to preserve pension systems sometimes seems to be further accentuated by emergency responses to the current economic situation and state budget deficits, as a look at various national situations will show.

3. In the spirit of the European Social Charter, the Parliamentary Assembly considers, and regularly reiterates, that social protection is essential for achieving social cohesion. In order for it to be complete, social protection should guarantee the entire European population access to decent retirement pensions above the national poverty line and, as specified in Article 23 of the revised Charter (CETS no 163), provide elderly persons with "adequate resources enabling them to lead a decent life and play an active part in public, social and cultural life". Accordingly, the pension reforms currently underway must both affirm the responsibility of the public authorities by creating greater solidarity within and between the generations and encourage the working population to take their own measures to provide for themselves.

4. This report is based on two working proposals made at the Assembly in 2009 ("Impact of the financial crisis upon pensioners") and 2010 ("Decent pensions for all"). It follows on from Resolution 1752 (2010) and Recommendation 1932 (2010) on "Decent pensions for women" adopted by the Assembly on 25 June 2010, and its aim is to provide some further reflection on the subject of these documents. The rapporteur has in particular drawn on research conducted by the OECD[2] and work carried out at European Union (EU) level that resulted in the publication of the Green Paper on pension systems in 2010 and the White Paper on "An agenda for adequate, safe and sustainable pensions" in 2012. As far as France is concerned, the rapporteur draws on documents of the national pension fund scheme *Caisse nationale d'assurance vieillesse* (CNAV)[3] and the *Conseil d'Orientation des Retraites* (Pensions Advisory Council – COR).[4] Furthermore, on the rapporteur's initiative, a special survey was launched at the beginning of 2012 via the European Centre for Parliamentary Research & Documentation (ECPRD), a parliamentary co-operation and information exchange mechanism of which the Parliamentary Assembly is a member (see Appendix).

5. The objective of this report will be neither to be exhaustive with regard to the issue of pensions in Europe, nor to make any specific recommendations on the political, financial or fiscal choices to be made individually by member states. Rather, the aim is to shed light on, and present in a structured way, the main problems faced by Council of Europe member states both generally and in times of crisis, provide member states with guidelines for guaranteeing decent pensions for all and identify the main areas where sharing good practices could prove useful in the future.

---

[2] OECD, "Pensions at a Glance 2011: Retirement-Income Systems in OECD and G20 Countries", Paris 2011 – www.oecd.org.

[3] The rapporteur thanks in particular Ms Karniewicz, President of the CNAV, and Ms D'Addio from the OECD's Social Policy Division, co-author of the report "Pensions at a Glance 2011", for their contributions at the hearing organised by the Social, Health and Family Affairs Committee in Strasbourg on Thursday 14 April 2011.

[4] *Conseil d'Orientation des Retraites* (COR): proceedings of the symposium held on 3 December 2009 on "pension systems in the light of the crisis in France and abroad" ("Les systèmes de retraite face à la crise en France et à l'étranger"), Paris 2009 – www.cor.org.

6. In referring to "financial and economic crises", the report proceeds on the assumption that all the recent critical phases in the global economy are interconnected and must be viewed from an overall perspective; they include the financial and economic crises which began in 2008/2009 and, after receding to a greater or lesser extent in 2010, subsequently turned into a Europe-wide sovereign debt crisis in 2011, which has continued in 2012. The effects of the latest crisis are not yet well known, but it has been obvious since the end of 2011 that the impact on social services will be considerable given that many member states have been forced to cut back on certain social services under austerity programmes imposed on national budgets. What we need to know, therefore, is how today's pension systems can be made strong enough to withstand the current crises and any other crisis that may emerge in future.

2. Pension systems in the light of demographic developments and the impact of the crises: trends and challenges

7. International experts generally agree that the first big challenge that governments have to address with regard to retirement pensions is the demographic trend towards an ageing population. In a wider context of recurrent economic and financial crises – the second challenge – the main political priorities as far as pension systems are concerned are still ensuring the financial sustainability of the systems and the adequacy of pensions, as well as striking a balance between the two. These same challenges were also identified by the European Commission in its Green Paper published in July 2010,[5] as well as in the White Paper published in February 2012.[6] This work, which constitutes an excellent overview of the retirement pension situation and clearly sets out the priorities for modernising pension policy for European Union member countries, should also serve as a primary reference for any discussion conducted at Council of Europe level, with due account taken of the additional characteristics specific to member states not part of the European Union.

Some of the main challenges: the trend towards ageing of the population, the need for increased labour market inclusion of women, and changing lifestyles

8. The fact that in Europe there is a trend towards the ageing of the population has been known for a very long time. However, a critical phase of this development will soon be reached since the "baby-boom" generation is approaching retirement age and the European population of working age is likely to decline from 2012 onwards.[7] This statement made with respect to the European Union also applies to Greater Europe, as a glance at Russia by way of example illustrates: like many other industrialised countries, Russia has seen its population grow older because of decades with very low birth rates leading to a decline in the population. Projections to 2030 suggest that Russia heads a list of 11 countries likely to lose at least 1 million people in 30 years with an estimated decline of 12 million (out of some 143 million in 2011).[8]

9. In the light of these demographic trends, the extent of which varies from one country to another, the OECD says there will be a smaller number of economically active people paying pension contributions and accordingly paying for today's retirement pensions and that the "economic dependency ratio"[9] of elderly people will double in the European Union: assuming 4 persons of working age for each person over 65 in 2010, the ratio will only be 2:1 by 2060. The OECD's figures for its member states are based on an average of 7.5 contributors for one pensioner in 2011, a ratio likely to fall to 3 contributors for one pensioner in 2050.

10. At the same time, retirement periods are growing longer owing to increasing life expectancy. In itself, this is a positive development but it means national pension systems need to make provision for higher expenditure. In 1970, pensioners in France drew their pensions for an average of 10.8 years, but

[5] European Commission: Green Paper – towards adequate, sustainable and safe European pension systems. COM(2010)365 final, Brussels 7.7.2010 – www.europa.eu/index_en.htm.
[6] European Commission: White Paper – an agenda for adequate, safe and sustainable pensions. COM(2010)55 final.
[7] European Commission: 2010 Green Paper, see footnote 5.
[8] Population Reference Bureau (PRB): "Global Ageing: the Challenge of Success", Kevin Kinsella and David R. Phillips, *Population Bulletin* Vol. 60, No. 1, March 2005, Washington DC – www.prb.org.
[9] According to the *Conseil d'Orientation des Retraites* (COR) in France, the "economic dependency ratio" is the ratio between the number of pensioners and the number of contributors at a given moment. Source: "Les projections financières et l'équilibre des régimes de retraite", fiche n°5, COR, Paris 2001.

that average had risen to 24 years by 2010.[10] Unless people, as they live longer, also stay longer in employment, either pension adequacy is likely to suffer or an unsustainable rise in pension expenditure may occur.

11. The European Commission's 2009 report on ageing in the eurozone states that age-related public expenditure will probably grow by 5% relative to GDP by 2060 and that the only source of growth will be the productivity of a reduced labour force.[11] Hence the importance of including any policy to support pension systems in a wider framework of economic and social policies. In this context, the promotion of greater female participation in the labour force is both a direct and an indirect source of growth, among other things because it generates new jobs in the fields of child-care and home help services.

12. Finally, there are other developments that may be sources of additional difficulties in preserving the level of pensions: lifestyle changes (single-person households, childless couples, geographical separation of the different generations of a family, etc.) are resulting in the establishment of more formally structured care services and creating additional costs – even if they do create job opportunities and represent sources of medium-term growth.

13. The challenges to be addressed undoubtedly include that of defining what is meant by an "adequate" pension: for some people, it is a pension at least equivalent to the minimum subsistence income, while others take the view that pensioners should be entitled to a certain percentage of their previous earnings. A third definition is that a pension should be calculated according to individual consumption needs. To define what it means by an adequate pension, the Council of Europe bases its approach mainly on the revised European Social Charter, Article 23 of which, on the right of elderly persons to social protection, states that they should be provided with "adequate resources enabling them to lead a decent life and play an active part in public, social and cultural life". Once the meaning of the word "adequate" has been clarified, it will be important to consider appropriate ways of moving closer to the goal of decent pensions for all. The causes of uncertainty in this regard include the willingness and ability of individuals to save throughout their lives and the risks related to the financial markets.[12]

The effects of the financial and economic crisis on pension systems

14. According to the OECD's findings in 2009, no country and no pension system has been sheltered from the effects of the crisis. First of all, the financial crisis that began in 2008 has had an impact on private pension funds, which today are an important component of pension systems in many countries. The economic crisis that followed in 2009 led to a drop in production and a considerable increase in unemployment. These factors were in turn the cause of a big drop in salaries and a reduction in working time. Finally, the fall in receipts from pension contributions and an increase in applications for unemployment benefits, combined with economic recovery plans, have put greater pressure on public finances. [13] However, the effects of the financial crisis on private pension funds have varied according to the composition of their portfolios. For example, the countries whose pension funds had the highest proportions of their assets invested in shares (often guaranteeing higher yields than bonds) have often sustained the greatest losses, such as Ireland, for example.

15. It seems obvious that the current financial and economic crises will necessarily have an impact on the level of public pensions. Even where pensions are not decreasing in nominal terms, they tend to increase more slowly than salaries and prices generally. For example, in France, the rapporteur's country of origin, it is obvious that today's pensioners have a considerably better standard of living than those of the 1970s, when the level stood at only 60% of that of the working population. Even in France, however, many retired people are faced with pensions which are no longer increasing sufficiently in relation to the cost of living (housing, energy, medicines etc), according to the charities working in the field.[14]

[10] Allianz Global Investors: *2011 Pension Sustainability Index,* International Pension Papers No 4/2011, Munich, www.allianzglobalinvestors.com

[11] Commission Communication on ageing of 29 April 2009, entitled "Dealing with the impact of an ageing population in times of economic crisis", www.europa.eu.

[12] Allianz Global Investors 2011, see footnote 10.

[13] OECD: Pensions and the Crisis: How should retirement-income systems respond to financial and economic pressure? Media summary, Paris 2009.

[14] "*Où en est le niveau de vie des retraités*?". La Voix du Nord, 18 June 2010, www.lavoixdunord.fr.

The trend towards privatisation: a vulnerability factor for pension systems

16. With the aim of ensuring the long-term financial sustainability of public pension systems, a large number of pension scheme reforms provide for a transition from systems mainly based on redistribution of public funds and inter-generational contracts (pay-as-you-go) to systems increasingly based on (compulsory or voluntary) funded components linked to the individual's job before retirement and managed by private agencies. Within capitalisation systems, schemes guaranteeing a defined retirement income are increasingly replaced by savings plans under which "investors" will not know the amount of their capital until they retire, since it is determined by the size of the contributions and the rate of return.[15]

17. Under recent reforms, most countries have put in place a multi-pillar pension system or have modified an existing pillar-based system. The classification of pension systems by pillars therefore warrants further explanation. This way of organising pension systems by pillars is based, inter alia, on the normative approach suggested in the report published in 1994 by the World Bank's research department. The World Bank considers that the multi-pillar model is the best approach to pension reform and proposes a three-pillar structure:

- a compulsory public pay-as-you-go pillar, to ensure a minimum income;
- a compulsory privately managed and funded pillar, based on capitalisation, to replace income from employment;
- a voluntary privately managed and funded pillar based on capitalisation.16, 17

18. The World Bank therefore rules out a model based exclusively either on a pay-as-you-go system or a funded system. The same position is adopted by other international institutions and organisations, which nevertheless propose a slightly different classification. The OECD has developed a classification based on four pillars: the first is a public pillar designed to guarantee a minimum income; the second is a contributory pay-as-you-go social pillar; the third comprises collective funded schemes; and the fourth is based on voluntary individual savings.[18] For its part, the European Commission generally adopts a classification based on three pillars, with the first pillar covering basic compulsory pay-as-you-go schemes, the second comprising, in principle funded, occupational schemes established and managed by the social partners, and the third consisting of schemes based on individual savings. The classification of pension systems by pillars is therefore the subject of a debate within international organisations which is echoed at national level. While the great majority of European countries have put in place pension systems based on pillars (usually three), each of them has adopted different arrangements and combinations of pillars.

19. According to the OECD report "Pensions at a Glance 2011",[19] most European countries that are members of OECD have adopted measures to improve the financial sustainability of their pension systems in the last few years. However, the trend towards the privatisation of pensions, the aim of which is to make pension systems economically viable, is exposing them more to the crisis at the same time. Accordingly, the impact of the recent crises is said to have been more severe in countries with a significant proportion of private pensions and retirement savings, where investments have been made in risk products or when the financial balance of the public systems was already critical.

20. Generally speaking, the role of private pension savings schemes varies enormously from one OECD country to another.[20] For example, in the Netherlands or the United Kingdom, private financial sources account for more than 40% of retirement income, whereas in Austria, the Czech Republic, Hungary, Poland, and Slovakia the percentage is about 5% (2009 figures). However, even some of the afore-mentioned countries now have compulsory private pension schemes. The youngest wage-earners

[15] Allianz Global Investors : *Altersvorsorge im demografischen Wandel* (old-age provision in a context of demographic change), *Kapitalmarktanalyse* (capital market analysis), October 2011, www.allianzglobalinvestors.de

[16] Holzmann, Robert: The World Bank Approach to Pension Reform, International Social Security Review, 2000, Vol. 53, No.1.

[17] See French Parliament's reply to ECPRD questionnaire no 1914 in document AS/Soc/inf(2012) 06 Bil.

[18] *Ibid.*

[19] OECD, Pensions at a Glance 2011, see footnote 2.

[20] OECD: "Pensions and the Crisis: How Should Retirement-Income Systems Respond to Financial and Economic Pressure?", Media summary, Paris 2009.

should therefore be entitled to a pension from the private sector amounting to a third of their income in Hungary, half in Poland and 60% in Slovakia.

21. In the context of the future reforms to be undertaken by countries that have to involve the private sector still more in their pension system, or introduce funded elements, it will therefore be important to ensure that the systems in question are made able to withstand future crises. According to the OECD, the best method for governments and individuals, given the economic, demographic, financial and social uncertainties, would be a mix of sources of retirement income and the development of balanced multi-pillar pension systems, as is already the case in many countries today.

Elderly people are among the groups most affected by the crises

22. According to the latest forecasts, Europe will in the near future be confronted with a growing number of people who have been unable to contribute fully for their retirement and will be at risk of poverty once they reach retirement age. In most of the countries studied by the OECD, elderly people are actually among the groups at risk of poverty, especially in times of crisis. Not only do they depend on the stability of pension systems during a crisis and on the income from them, but the crises themselves also aggravate the general economic situation, which has a direct influence on their standard of living because of its impact on personal savings and the prices of consumer goods and, especially, energy. However, the extent of the impact of the crisis on retired people depends on the age of those concerned.[21]

23. Accordingly, people close to retirement are most affected by the impact of economic and financial crises. They are among the first to lose their jobs in a period of economic slowdown and among those most exposed to the risk of long-term unemployment. This can lead to a permanent reduction in their retirement income and prevent them from making up for lost earnings. As happens more generally in the case of retirement pensions, the extent of the impact of a financial crisis on retirement incomes, especially savings, also depends on the composition of the investment portfolio. Only a proportion of pensioners have transferred their investments to less risky assets when retirement age approaches. These effects on individual pensions are all the more dramatic as retirement pensions must also be considered "crisis absorbers" if they provide a decent level of income. Any impact of an economic crisis on pensions could therefore make the initial crisis worse.

24. Compared to this first category of people, younger employees, prime-age employees and pensioners are much less affected by the recent crises. The youngest group (25-34 years) will have 30 years or more to compensate for the temporary devaluation of their investments or the effects of an incomplete career. The second group (35-44 and 45-54), even though the financial crisis has taken its toll on their private retirement savings, still have enough years in front of them to reconstitute their savings and their jobs are generally less threatened than those of younger or older employees.

25. Finally, today's pensioners will generally suffer relatively little from the crisis (apart from a few exceptions) and are generally sheltered from the effects of the economic crisis on the job market or of the financial crisis on private pensions. By contrast, these individuals are, like everyone, suffering from the general effects of the economic crisis on prices and will probably be affected by measures applied in response to the current debt crisis, which is also impacting on public pension schemes.

Preserving intra- and inter-generational solidarity

26. On a political level, any attempt to reduce the level of pensions necessarily comes up against major obstacles. A further difficulty lies in the increased use of funded pension schemes. Most countries which have reduced the benefits of pay-as-you-go pension schemes have, at the same time, adopted measures to extend the coverage of funded schemes. However, as the number of people covered by these new instruments is still small, a return to significant inequalities in the pension field can be expected in most

[21] OECD: "Pensions and the Crisis: How should retirement-income systems respond to financial and economic pressure?", Media summary, Paris 2009.

European countries. [22] In the light of this situation, the rapporteur calls for the preservation of the greatest possible intra-generational solidarity as a basis for social cohesion in our societies.

27. The OECD believes that the consequences of the economic and financial crises have indeed been painful for many people. However, as far as pension policies are concerned, the effects of the crises are negligible in relation to the problem of an ageing population, which remains the main challenge to be addressed in any current or future reform of pension systems. In its Green Paper, the European Commission also confirms that the recent economic and financial crises has only worsened the impact of the strong trend towards the ageing of the population. It points out that inter-generational and national solidarity are key principles and that "sound and adequate pension systems, enabling individuals to maintain, to a reasonable degree, their living standard after retirement, are crucial for citizens and for social cohesion".[23] It continues as follows: "Ensuring adequate retirement income is the purpose of pension systems and is a matter of fundamental inter- and intra-generational solidarity. Most reforms of pension systems so far have been aimed at improving sustainability. Further modernisation of pension systems will be needed to address adequacy gaps".[24] The rapporteur suggests adopting the same lines for the draft resolution and recommendation to be proposed to the Parliamentary Assembly.

28. Furthermore, the rapporteur fully supports the European Commission's findings in its White Paper with regard to older workers: raising the effective retirement age will not be about pitching the interests of the young against those of the old. Indeed, the member states with the highest employment rates for older workers also have some of the lowest youth unemployment rates. In the long term, the number of jobs is not fixed, but depends notably on the supply of qualified workers, which is a key driver of economic growth. The increased availability of experienced older workers will enhance Europe's growth potential and thus create more opportunities and better living conditions for the young and the old.[25]

3. Reforms of pension systems in Europe: instruments for improving system viability and adequacy

29. At European Union level, the European Commission has established that most member states have been forced to initiate significant reforms of their pension systems in the last few decades, while the recent economic and financial crisis has only highlighted the need to review the existing systems. In their reforms, states have first of all addressed aspects of the viability of systems and the question of pension adequacy, as well as more specific issues such as job market development and the distribution of gender roles. Once again, these findings certainly apply to a large number of states which form part of Greater Europe.

More specifically, the European Commission recommends that its member states.[26]

- link the retirement age with increases in life expectancy;
- restrict access to early retirement schemes and other early exit pathways;
- support longer working lives by providing better access to life-long learning, adapting workplaces to a more diverse workforce, developing employment opportunities for older workers and supporting active and healthy ageing;
- equalise the pensionable age between men and women; and,
- support the development of complementary retirement savings to enhance retirement incomes.

[22] Bonoli, Guiliano/Institut des hautes études en administration publique (Lausanne: La réforme des retraites en Europe, La Vie économique/Revue de politique économique 1/2 – 2011.
[23] European Commission, Green Paper 2010, see footnote 5.
[24] European Commission, Green Paper 2010, see footnote 5.
[25] European Commission : White Paper – an agenda for adequate, safe and sustainable pensions. COM(2010)55 final, Brussels, 16.02.2012 – www.europa.eu/index_en.htm
[26] European Commission : White Paper – an agenda for adequate, safe and sustainable pensions. COM(2010)55 final, Brussels, 16.02.2012 – www.europa.eu/index_en.htm

30. With the aim of improving pension adequacy, the first measure initiated by governments is often to extend working life by encouraging people to work longer and raising the retirement age, now fixed at 65 for both women and men in most OECD countries, less than 65 in some (including France), and 67 in others, including Iceland and Norway[27] (see Appendix). Although different developments are planned, depending on the specific context of each country (and also on life expectancy and the effective retirement age), a general trend towards increasing the statutory retirement age is nevertheless emerging.

31. Other instruments available to governments include the level of pensions, the level or period of contributions and the elements used as a basis for calculating the level of pensions, ie most recent salary years, best salary years or average salary over the whole career. Generally speaking, recent and ongoing reforms observed in Europe are marked by a twofold trend: on the one hand, reductions of varying degrees in public pay-as-you-go schemes, and on the other, an attempt to develop funded instruments either on a collective (sector or company) or individual level.[28]

The example of France: “restoring young people’s confidence”

32. In order to have a better understanding of the challenges facing member states and the choices they will have to make in connection with their pension reforms, France, the rapporteur’s country of origin, has served as a first example. The pension system in France has developed in different phases. From 1945 to 1970, the primary aim was to maintain a decent standard of pension provision. Since 1970, the problem has been compounded by the now very familiar demographic challenges, especially greater life expectancy, which is extending the period spent in retirement. In France, it is the job of the national retirement insurance fund *Caisse Nationale d’Assurance Vieillesse* (CNAV), in close co-operation with the retirement orientation board, *Conseil d’Orientation des Retraites* (COR), to advise the government on its strategic choices and inform insured persons by explaining to them all the possible choices available.[29]

33. The first French reform took place in 1993 and not only established the principle of taking into account the 25 best salary years instead of 10 to determine the size of the pension but also introduced a new price-based indexation. The 2003 reform was designed to increase the number of contribution years required to reach the maximum pension. This number will gradually rise to 41.5 years in 2018 (i.e. for people born in 1956). The 2010 reform provides for a rise in the retirement age to 62 in 2018, a target date considered by the French authorities to be perfectly sustainable for the introduction of new measures.

34. The most recent reform took place in the context of the economic crisis in which pensioners were themselves not directly affected but where a high level of debt had been reached in order to guarantee pensions. The main guiding principle of this last reform was the desire not to increase wage and salary deductions any further, nor to reduce pensions. However, in the different reform phases France has taken all possible measures with regard to pensions: 1) level of contributions, 2) duration of contributions/age of retirement, 3) the level of pensions.

35. According to the CNAV, a number of approaches are possible to determine the level of pensions: the contributions made throughout a person’s working life (social insurance) or an income corresponding to the final salary received. The CNAV system is based more on the latter. The fundamental question was therefore that of the index link applied to determine a decent level of pension for retired people. Other issues that the French reforms had to deal with were the protection of those who are most vulnerable, the responsibilities of each individual and restoring young people's confidence in the future, this being considered one of the main challenges.

36. In France, the pension system is still firmly based on the principle of solidarity and contains elements of support for those who are most disadvantaged. There is therefore a possibility of relatively early retirement, for example, for anyone who has a long career, has a disability or suffers from an illness.

[27] OECD, “Pensions at a Glance 2011: Retirement-Income Systems in OECD and G20 Countries”, Paris 2011 – www.oecd.org.
[28] *Bonoli, Guiliano/Institut des hautes études en administration publique (Lausanne): La réforme des retraites en Europe, La Vie économique/Revue de politique économique 1/2 – 2011.*
[29] Information provided by Ms Karniewicz, President of the CNAV, at the hearing organised by the Social, Health and Family Affairs Committee in Strasbourg on Thursday 14 April 2011.

According to the CNAV, French people remain strongly attached to this solidarity-based system and the "saving for retirement" approach has had limited success as a result. However, the political agenda includes another phase of reform in 2013, this time entailing new contribution methods.

37. Issues still needing to be tackled in future are the financial balance of the different systems and final salary pension schemes, the latter being intended to ensure a direct link between standard of living while working and after retirement, without falling below a certain threshold. Also still to be reviewed is the proportion of each person's individual contributions to the retirement pension: the basic fund for pensions will continue to be built up jointly, while every person should in future be allowed to add to their own pension according to their own situation. In the case of France, this is taking place in a particularly complex context characterised by a pension system that distinguishes not only between public-sector and private-sector schemes, but also, for historical reasons, involves around 35 special schemes for various occupational categories. The complexity is intensified by the increasingly "fragmented" nature of professional careers, with regular changes having become the norm, making it ever more difficult to advise individuals concerning the path to follow.

The example of Germany: need to strengthen the promotion of the second and third pillars

38. Statutory old-age insurance was introduced in Germany over a century ago – the world's first public pension system – and has undergone many far-reaching reforms since the 1950s. Like most European countries, Germany is faced with an ageing population and the imminent retirement of the baby-boom generation, after which there will be fewer and fewer contributors paying pensions for more and more pensioners.

39. The German pension system is based mainly on three pillars: (1) statutory old-age insurance (pay-as-you-go), (2) an occupational pension system (*betriebliche Altersversorgung*) and (3) various private schemes, including fully private contracts and the "*Riester Rente*", which, since 2001, has offered the possibility of access to state-subsidised savings schemes. The German system, like the Swiss (see below), is considered exemplary. The German social partners will, however, be faced with a certain number of challenges in the years ahead. Among the latest measures taken, the German government (under a 2006 decision) has gradually raised the statutory retirement age to 67, and the world of work will therefore have to adapt to this new reality.

40. It was announced just recently that the level of state pensions will decrease by 10% in relation to salaries by the year 2025: whereas the level of pensions stood at 50.8% in relation to salaries (before tax) in 2011, that figure is expected to fall to 45.2% by 2025. According to the German Institute for Old-Age Provision (Deutsches Institut für Altersvorsorge), the average pensioner will get only 38% of his or her last salary, a figure which, according to estimates, will decrease still further, to 35.6%, after 2040.[30]

41. These trends are considered extremely worrying by the social federations, which are demanding that pensions be aligned with the positive overall trend in salaries.[31] According to the OECD, Germany will be faced with a growing number of elderly people living in poverty unless access to the second and third pillars is facilitated, especially for the lower-paid. There would also be no automatic provision for those who have not contributed continuously. The Swiss model could serve as an example even for Germany because it provides for compulsory coverage by the three pillars.[32] The slow growth of two of the pillars is undoubtedly due, inter alia, to the complexity of the pension system, because the second pillar alone offers employees five different options: employer savings, pension schemes, pension insurance, support funds and pension funds etc.[33]

[30] Wohleb, Dirk and Jochims, Dörte: *Warum Jüngeren eine geringere Rente droht – Ratgeber Altersvorsorge* (Why young people face reduced pensions – Advice on old-age pensions), Handelsblatt, 1.4.2011, www.handelsblatt.com.

[31] *Die Renten steigen deutlich langsamer* (Marked slowdown in pension growth), Stuttgarter Zeitung, 1 September 2011.

[32] *Millionen Deutsche von Altersarmut bedroht* (Millions of Germans threatened with poverty in old age), Süddeutsche Zeitung, 19.1.2008, www.sueddeutsche.de

[33] Krohn, Philipp: *Der Chef spart für alle mit* (Employers saving for everyone's retirement), Frankfurter Allgemeine Zeitung, 11/12 February 2012, www.faz.net.

The example of Switzerland: a three-pillar system in places for many years

42. Switzerland established a so-called "three-pillar system" many years ago. The first pillar, state provision (old-age and survivors' insurance/disability insurance), is designed to guarantee the resident population the appropriate cover for the necessities of life in old age and in cases of disability or widowhood. The second pillar, occupational provision, enables people to maintain their previous living standard, and is compulsory for workers earning an annual income in excess of 20,880 SFR in 2011 and optional for the self-employed. The third pillar, personal provision, is designed to supplement other pensions according to each individual's needs. The first and second pillars are not financed in the same way. The old-age and survivors' insurance scheme, which is based on an inter-generational contract, is financed on a pay-as-you-go basis (today's economically active population finance the benefits of today's pensioners), whereas the occupational scheme is funded (constitution of an old-age savings account that enables occupational pension benefits to be financed). [34]

43. The latest reforms implemented in Switzerland retain the three-pillar system, but seek to enhance its sustainability. There have been two failed attempts to reform the 1st pillar, one by referendum, the other in Parliament. A "minor", somewhat technical reform accepted by Parliament came into force in 2012. A reform of the 1st pillar to guarantee its financing and sustainability is at the planning stage. The latest reforms of the 2nd pillar were adopted by Parliament in 2010 and 2011 and came into force in 2011 and 2012. They include closer supervision, stricter requirements for 2nd pillar stakeholders and increased transparency in management of pension funds, thus helping to prevent abuses. The provisions relating to the financing of public pension funds are intended to guarantee the financial security of those institutions. Some measures apply specifically to older workers and are intended to encourage their continued labour market participation. In view of its relatively sound and balanced retirement system, Switzerland can certainly serve as an example for other European countries.

The example of the United Kingdom: abolition of a statutory retirement age

44. In 2008, the United Kingdom had a two-tier pension system consisting of a flat-rate pension and an earnings-related additional pension, complemented by a large voluntary private pension sector. In the last few years, these private schemes have admitted a large number of contributors who have left the second public tier (35% of employees). An income-related benefit (pension credit) has also been introduced for the least well-off pensioners[35]. The reforms recently initiated by the United Kingdom follow the same trend as that observed in other countries, namely a raising of the retirement age, which is currently 65: under the Pensions Act 2007, which the British government is in the process of implementing, the statutory retirement age will be raised to 66 years in 2020 for all British citizens and continue rising gradually to reach 68 years by 2050.

45. However, the latest measures include permission for employees to work beyond age 65 if they so wish and the abolition, as from October 2011, of the statutory retirement age while retaining a minimum contribution period for entitlement to a full pension. An increase of 10% in the basic retirement pension for each year worked beyond age 65 for men and age 60 for women has been introduced to encourage those over 65 to remain in the workforce longer. [36]

46. The potential impact of the financial and economic crises became apparent in June 2010 when the government announced in connection with the budget debate that it intended to change the index for inflation-proofing in the pension schemes from the Retail Prices Index (RPI) to the generally slower-growing Consumer Prices Index (CPI). Given that this might prompt some private-sector companies to make the same switch, a large number of pensions could be affected in future. [37]

[34] *Office fédéral des assurances sociales* (Federal Social insurance Office): "*La prévoyance professionnelle face à la crise boursière actuelle*", press release of 23 May 2003, www.bvs.admin.ch.
[35] OECD, "Pensions at a Glance 2011: Retirement-Income Systems in OECD and G20 Countries", Paris 2011 – www.oecd.org (Part III: Country profiles).
[36] "*Fin de la retraite-couperet au Royaume-Uni*", *RFI*, 1 October 2011, www.rfi.fr.
[37] Pensions reform: Lessons from the storm, BBC News (Business), 4 August 2011, www.bbc.co.uk.

Other national situations within the Council of Europe[38]

47. Norway has recently reformed its pension system. With a life expectancy above 81 years in 2010, the number of pensioners has constantly risen in the past few decades, whereas the number of economically active persons has fallen. In order to safeguard the pay-as-you-go pension, a reform was therefore essential, so the Norwegian parliament decided to make the retirement age flexible. Since 2011, everyone has had the choice of combining pay and pension and working for as long as they wish (from age 62 to 75). If the pension is taken at 62 (the first year possible for taking early retirement) and not at the age provided for by the public pension scheme (67 years since 2007), the pension will be reduced, but it increases with every additional year worked. Elements of prefunding have been introduced into the pay-as-you-go system. Furthermore, the basic pension will be adjusted to life expectancy for each cohort. [39]

48. In Eastern Europe, many countries have begun to embark on reforms of their pension systems owing both to the challenges common to other European countries (demographic developments, financial and economic crises) and to the demands of international donor agencies (such as the European Union or the International Monetary Fund (IMF)), which consider some pension systems to be significant burdens on state budgets and demand reforms as a precondition for granting loans. For example, in Romania a reform raising the retirement age was passed by the parliament in 2010. [40] This law provides for the retirement age to be gradually raised to 65 for men and 63 for women by 2015. In response to the financial and economic crisis, which has affected both pension fund holdings and national economies in general, different approaches have been adopted. To enhance the viability of their systems, Estonia, Hungary, Latvia, Lithuania, Poland and Romania, for example, have apparently rethought their funding models by redirecting contributions made to the second pillar towards the public pay-as-you-go pillar.[41]

49. Similarly, the reform initiated in Ukraine is based on the same international requirements but remains very controversial in the country itself, which very recently (July 2011) experienced demonstrations against the adoption of the draft reform by the parliament. The reform in Ukraine aims to change the statutory retirement age gradually from 55 to 60 for women and from 60 to 62 for men.[42] The primary aim of the latest reforms, which came into force in January 2012, was to establish a three-pillar system and specify the conditions for entitlement to the minimum and maximum pensions. Far-reaching reforms had proved necessary in Ukraine because the traditional system had become socially and economically ineffective, which placed a huge burden on the state budget.[43]

50. Faced with the same demographic challenges as many other countries, the Russian Federation has had a three-pillar pension system since 2002, comprising a public pension (social pensions), a compulsory retirement fund (occupational pensions) and voluntary private pension insurance. Under the state system, the statutory retirement age is 60 for men and 55 for women, and there is a range of supplementary benefits for the neediest cases, persons with disabilities and war veterans. According to official announcements, the situation of pensioners is improving constantly: in 2012, occupational pensions (Russian pension fund) will increase by 7% (in February) and by 2.4% (in April), and social (state) pensions by 14.1% (in April).[44]

[38] Unless other sources are mentioned, the information is mainly based on country profiles such as those produced by the OECD in 2008: OECD, "Pensions at a Glance 2011: Retirement-Income Systems in OECD and G20 Countries", Paris 2011 – www.oecd.org.

[39] Norwegian Embassy in France: "La réforme des retraites en Norvège, actualité du 24/06/2010", www.norvège.no.

[40] "*Roumanie : retraite repoussée à 65 ans*", *Le Figaro*, 7 December 2010, www.lefigaro.fr.

[41] Allianz Global Investors : *2011 Pension Sustainability Index,* International Pension Papers, No. 4/2011, Munich, www.allianzglobalinvestors.com.

[42] "*Ukraine : des milliers de personnes manifestent contre la réforme des retraites*", *Le Monde*, 7 July 2011, www.lemonde.fr

[43] Gora, Marek: Pension Reform: Challenge for Ukraine / UNDP Blue Ribbon Analytical and Advisory Centre, Kyiv 2008.

[44] Official website of the Pension Fund of the Russian Federation: http://www.pfrf.ru/ot_en.

51. It has been well known for a number of years, however, that the Russian government is faced with growing expenditure related to the pension system. This contributes to a chronic budget deficit amounting to 3-4% of GDP which, according to a report in 2009 by the Merrill Lynch Investment Bank, is set to last for the next decade. For 2010, the Russian pension fund was estimated at around 40 billion dollars (or 2.4% of GDP)[45]. According to experts, the only long-term solution would be further reforms to the pension system and resolute promotion of private pension funds, which only 5% of Russians had joined in 2009. In the absence of any structural change, the regular increases, designed inter alia to avoid social tensions, therefore seem to put greater pressure on a pension system already subject to strain. It is estimated that, around twenty years from now, there will be only one worker for every pensioner, which would represent a demographic "timebomb".[46]

52. A look at Turkey, another of the major Council of Europe countries, reveals a highly specific situation. The pension system is a public earnings-related scheme together with private pension schemes introduced in 2001. Contributions to the latter are tax deductible.[47] According to experts, these reforms have greatly improved the system's long-term viability. However, the large informal sector still represents an obstacle to old-age provision in Turkey because it offers numerous possibilities for bypassing the social security system. The success of Turkey's pension reforms also depends on the government's ability to address and resolve this issue.

53. At present in Turkey, reform measures such as raising the retirement age and reducing income replacement rates are virtually restricted to young labour market entrants, who will therefore have to carry the main financial burden.[48] For the majority of employees, replacement rates are still generous compared with other levels observed in the OECD area and therefore dissuade employers in the formal sector from employing unskilled workers. In view of this complex situation, it is anticipated that the rate of voluntary membership of occupational or private pension schemes will remain low and that, owing to the lack of minimum pension benefits for those who need them, poverty will remain a problem among the elderly.[49]

Special survey of national parliaments

54. On the rapporteur's initiative, a special survey was conducted via the European Centre for Parliamentary Research & Documentation (ECPRD).[50] Answers were given by 30 Council of Europe member states, confirming some of the trends already identified:

- The majority of member states currently seem to be moving towards three-pillar pension systems. Changes of paradigm (as regards the pillars) and parameters (contribution levels, indexation etc) may be observed in the reforms undertaken;
- The statutory retirement age is rising in most of the respondent countries, although the actual average retirement age is considerably lower in a good many countries. This seems to indicate that measures to keep older workers in employment for longer will be necessary to ensure that as many people as possible qualify for a full pension;
- Many countries have been forced to lower the level of state pensions;
- In most countries there seem to be moves to harmonise the statutory retirement age for men and women;

[45] Jason Bush: *Russia's pensions timebomb* , 2 October 2009. http://blogs.reuters.com/breakingviews/2009/10/02/russias-pensions-timebomb.
[46] Kristina Block: Russians fear pensions timebomb, BBC News, 29 July 2010, www.bbc.co.uk.
[47] Allianz Global Investors 2011, see footnote 10.
[48] Allianz Global Investors: *Pensions in Turkey – A Race Against Informality and Low Retirement Ages,* International Pension Papers, No. 4/2011, Munich, www.allianzglobalinvestors.com.
[49] OECD (Anne-Marie Brook and Edward Whitehouse): *The Turkish Pension System: Further Reform to Help Solve the Informality Problem,* OECD Social, Employment and Migration Working Papers 44, Paris 2006. www.oecd.org.
[50] The survey results are partly reflected in this report and, as regards the quantitative aspects, set out in the Appendix.

- One question which was not dealt with explicitly in the survey but which should be kept in mind in view of the initial results obtained, is that of the number of people who have joined (obligatory or voluntary) supplementary pension schemes, together with the question of how this will affect their future income.

55. Examples which stood out as good practices or because of their unusual nature, and in relation to which future exchanges of good practice might prove useful, include:

- Finland, for some of its radical measures: the entire period of contribution will henceforth be taken into account to determine the level of pensions and the statutory retirement age has been abolished, so that the retirement age is now completely flexible;
- Poland, which has set clear limits on early retirement options;
- Sweden, which seems to have a wider range of measures for providing adequate pensions, ranging from a guaranteed minimum pension under the first pillar to the development of an employment market more open to older workers;
- Switzerland, with a relatively highly developed three-pillar system, which is currently aiming to achieve more transparent management of pension funds to help prevent abuses.

4. Conclusions – recommendations: what paths should be followed to strengthen pension systems in a sustainable and balanced way?

56. The trend towards ageing of the population is clearly the greatest challenge facing European retirement systems. As regards the recent financial and economic crises and the public debt crisis, a rapid response is certainly important to protect the systems in place. However, sustainable development of pension systems, which includes a long-term perspective, will be vital to ensure that the systems in place are strong enough to withstand future crises.

57. The adequacy of retirement pensions is not only an outcome very much anticipated by all the reforms initiated but also a factor for stability against future crises. Member states should therefore make it a priority henceforth and for the next reform phases to be embarked upon. In addition, guaranteeing decent pensions both for today’s and tomorrow’s pensioners is a matter of human dignity and involves the recognition of each individual’s efforts and contribution to the sustainable development and well-being of society as a whole. Decent pensions – both today and tomorrow – will therefore be an important factor of social cohesion.

58. The reforms undertaken by many member states in recent years have certainly contributed to the sustainability of public pension systems. However, situations vary widely from one country to another. Among those which seem to have fared best in terms of ensuring the sustainability of their systems, we find the Scandinavian countries (Denmark, Sweden) and the Netherlands, which all have balanced multi-pillar systems.[51] A diversification of pension systems as initiated by many countries in recent years therefore seems to be a step towards greater stability, even if the increasingly widespread adoption of funded systems represents a risk of creating new inequalities. The challenge for European countries is to strike a balance between pay-as-you-go and funded systems. The state will have a vital role in guaranteeing that future pension systems retain a strong solidarity-based component and include a pay-as-you-go pillar.

59. In the context of financial and economic crises, the establishment of balanced and sound pension systems poses two major challenges: (1) It is necessary to resolve the problem of state budget deficits generally and, in particular, those of public pension funds. Austerity measures may worsen the situation and jeopardise the principle of inter-generational solidarity. Real economic recovery will be the only lasting solution. (2) Positive economic effects must benefit individual households so that they are able to contribute to (collective or individual) supplementary schemes. This type of approach can be promoted or subsidised by the state, but in the first instance, the individuals concerned must be capable of contributing to such schemes from their own income. A climate of confidence and new pension schemes need to be built.

[51] Allianz Global Investors 2011, see footnote 10.

60. It is, moreover, of the utmost importance for the (public) authorities in the member states (governments and parliaments) to be open to dialogue with all stakeholders (including civil society), in a spirit of transparency, before undertaking major reforms. The purpose of such dialogue should be to achieve an acceptable balance between the costs and benefits of future alternative schemes. They will also need to address and respond to the uncertainty observed among the younger generations in a good many countries as to the future of their pensions. There will be a need for nuanced debate which is not based simply on the division between public and private systems as the only possible alternatives but studies the best possible combination between the pay-as-you-go and funded systems. Such debate should lead to a clear allocation of responsibilities between public and private players in a spirit of "shared social responsibility".[52]

61. In view of the current situation of European pension systems, and especially of the trend towards the ageing of the population and following the recent financial and economic crises, Council of Europe member states should explore and, if appropriate, take the following measures:

62. On a general level:

- Implement pension systems that reflect the complexity of today's work situations (including more frequent changes of jobs) and lifestyles;
- Combat the persistent inequalities in pension systems, especially between women and men, inter alia by beginning to deal with the gender wage gap;
- Initiate or complete pension reforms that both maintain the long-term viability of systems (including when facing future economic crises) and pension adequacy;
- Provide clear information, which everyone can understand, on the implications of existing pension systems for every individual, particularly as regards the size of the pension which every contributor can expect in future under pay-as-you-go systems;
- Pursue positive economic policies designed to revitalise the economy without any loss of purchasing power.

63. With regard to the sustainability of systems:

- Consider pensions as an important aspect in the context of the responses to be made to the current debt crisis (end of 2011);
- In the light of the economic, demographic, financial and social uncertainties, design national pension systems based on a "mix" of sources of pension income (funded and pay-as-you-go components), and hence on several pillars;
- Consolidate, nevertheless, inter- and intra-generational solidarity, which also confirms the state's central role in guaranteeing decent pensions for all;
- Promote international co-operation on pensions, given that pensions are increasingly becoming a transnational matter extending beyond the borders of the European Union or the Eurozone (migrant/mobile professionals, international pension funds).

64. With regard to pension adequacy:

- Ensure a dignified standard of living for pensioners by granting them a certain amount of guaranteed pension from the public pension system based on inter-generational solidarity, while at the same time calling for more individual responsibility to be exercised by people in work who still have the time to build or contribute to savings to an extent to be determined;
- Pursue resolute job creation policies, because only those with a sufficiently well paid job are able to save in order to supplement their future pension or contribute to supplementary pension schemes;
- Take account of the new lifestyles of families, which often demand external care for the elderly, as well as the increase in average life expectancy (which also prolongs the periods in which retired people receive pensions);

[52] This is a concept developed within the Council of Europe with the aim of clearly identifying the common and interconnected responsibilities of different public and private social players (including citizens) in the face of present challenges. It was discussed at a seminar organised jointly by the Council of Europe and the European Commission in Brussels from 28 February to 1 March 2011. The current process could lead to the adoption of a European Charter of Shared Social Responsibilities.

- Provide financial assistance for parents with (a) dependent child(ren) so that they can reconcile bringing up their child(ren) and saving for their own retirement. It is not easy for parents to provide for a family's needs and raise one or more children and at the same time be able to save enough for their own future retirement;
- Find appropriate solutions for people with periods in which they have made no pension contributions (for example, women who have taken a career break, especially to look after children);
- Provide for specific pension measures and schemes for vulnerable groups that have not had sufficient means to prepare for their retirement (migrants, people with disabilities, etc);
- Make it easier for elderly people gradually to stop working, which would enable them to supplement their retirement pensions by a salary and would certainly have positive effects on their physical and mental health, thus limiting the costs that could otherwise be incurred by health and care systems.

65. Independently of the financial and structural implications of pension schemes and in terms of general policies for retired people, it seems useful to explore – also as part of an exchange of European good practices – innovative ways of improving the well-being of retired people, such as benefits in the form of services to the elderly. Several countries currently have mutual assistance schemes under which elderly people provide assistance to others and are rewarded with "points" which will enable them in future to call on similar services when they need them. This type of assistance certainly must not replace financial benefits from pension schemes, but can supplement them to make life easier for elderly people in need.

Appendix 1

Survey on European pension systems, launched on 24 January 2012 by the Parliamentary Assembly, via the European Centre for Parliamentary Research and Documentation

The Committee on Social Affairs, Health and Sustainable Development of the Parliamentary Assembly of the Council of Europe is preparing a report on « Decent pensions for all following the economic and financial crisis » (working title). The report will be submitted for approval to the committee in March 2012, and for debate during the PACE plenary part-session of April 2012.

The report aims at identifying good national practices in the Member States of the Council of Europe, which are meant to guarantee the sustainability of pension systems, and provide a decent level of pensions for all. In a general context of the ageing of the European population and, more recently, of the economic and financial crisis, numerous Member States had to implement important reforms of their pension systems. Although the States face similar demographic and economic constraints, the reforms implemented are different from one system to another depending on the national context.

This political report by the Parliamentary Assembly, is based, amongst others, on important work recently published in this field: the report “Pensions at a Glance 2011” of the OECD, the Green Paper on the Future of Pensions published by the European Commission in 2010 , but also the reports by the “Conseil d’Orientation des Retraites” (pensions advisory board – COR) in France. However, some of this work remains relatively general as far as recent and ongoing evolutions of European pension systems are concerned, whilst others have already been overtaken by the most recent developments.

To have a precise and up-to-date overview of the different national evolutions concerning the pension systems, the Committee on Social Affairs, Health and Sustainable Development would be grateful if you could reply to the following questions in the best possible time:

1) Structure of the pension system

Which pillars constitute the structure of the pension system in your country?

Pillar n°1:...
Pillar n°2:...
Pillar n°3:...

According to the number of pillars indicated, please cross the adequate criteria corresponding to each pillar in the following table, and provide any further relevant information:

Criteria	Pillar n°1	Pillar n°2	Pillar n°3	Further information
Management of the scheme:				
Public				
Private				
Membership criteria:				
Voluntary				
Mandatory				
Procedures for determining the size of a future pension benefit:				
Pay-as-you-go				
Funded				
Other				

2) Reform(s) of the pension system

Since 2005, has your country implemented one or several reform(s) of the pension system? If so, what are the most recent reforms already or soon to enter into force?

3) "Levers" used by the last reform

To improve the sustainability of the pension system and pension adequacy, what are the "levers" used by the last reform in your country?

☐ level of contributions
☐ duration of contributions
☐ age of retirement
☐ level of pensions
☐ subsidies for private pensions
☐ restructuration of the pillars
☐ others: …………………………………………………………………………………………......
……………………………………………………………………………………………………….

Please provide further information concerning the instruments mentionned:
……………………………………………………………………………………………………….

4) Legal age of retirement

What is the legal age for retirement with a full-rate pension?

- in 2012 : for women:
  for men:
- in 2020 : for women:
  for men:
- in 2030 : for women:
  for men:

5) Exceptions to the legal age of retirement

Are there exceptions for specific professions (e.g. for the military/police/firemen/others)? If yes, please mention the professions concerned, and add the legal age for these professions.

6) Average age of retirement

What is the average age for retirement in 2011 (or, if these data are not yet available, in 2010)?

- for women:
- for men:

Appendix 2

Results of the survey on European pensions systems

Background:

In the framework of the preparation of the report on "Decent pensions for all following the economic and financial crisis" by Mr Denis Jacquat (France, EPP/CD) as rapporteur, the Committee on Social Affairs, Health and Sustainable Development of the Parliamentary Assembly of the Council of Europe, on 23 January 2012, launched a survey via the European Centre for Parliamentary Research and Documentation (ECPRD). The aim of this survey was to have a precise and up-to-date overview of different national developments concerning pension systems.

Until the end of February 2012, replies from **31 parliaments** were received: Albania, Andorra, Belgium, Bulgaria, Croatia, Cyprus, Czech Republic, Estonia, Denmark, Finland, France, Germany, Greece, Hungary, Iceland, Italy, Latvia, Lithuania, the Netherlands, Norway, Poland, Portugal, Republic of Moldova, Romania, Slovak Republic, Slovenia, Sweden, Switzerland, "the former Yugoslav Republic of Macedonia" and Ukraine. Canada, Observer State to the Council of Europe, also replied to the questionnaire. The quantitative results of the request are presented in the table below, whilst qualitative data about the recent reforms have been included into the explanatory memorandum and are also available in the information document AS/Soc/Inf (2012) 06 Bil for any delegation interested in “good practice” examples from other countries.

Council of Europe Member States	Number of pillars	Levers used by the last reform of the pension system	Legal age of retirement				Average age of retirement	
			In 2020		In 2030		Date to be determined according to the available data	
			Women	Men	Women	Men	Women	Men
Albania	3	Level of pensions and level of contributions	60	65	N/A	N/A	N/A	N/A
Andorra	2	Level of contributions and level of pensions	65[1]	65	65	65	65 (2011)	65 (2011)
Belgium	3	No specific rules concerning the levers o the reform of the pension system	65	65	N/A	N/A	61,9 (2009)	61,2 (2009)
Bulgaria	3	Duration of contributions, age of retirement, subsidies for private pensions, restructuration of the pillars	60,4 (the age of 34,4 years of pensionable service)[2]	63,4 (the age of 37,4 of pensionable service)	63 (37 years of service)	65 (40 years of service)	61 (2010)	64,2 (2010)
Croatia	3	N/A	60 and 6 months	65	65	65	No separate data for women and men[3]	No separate data for women and men
Cyprus	3	Level of contributions, duration of contributions, age of retirement, level of pensions, restructuration of the pillars	63 for civil servants (65 for others)	63 for civil servants (65 for others)	N/A	N/A	N/A	N/A
Czech Republic	3	Level of contributions, duration of contributions, age of retirement, level of pensions, subsidies for private pensions, restructuration of the pillars	65 (or depends on number of children)	65	65 (or depends on number of children)	65	59.6 (2009)	61.5 (2009)

[1] However, according to the law, a person (a woman or a man) can retire at the age of 72 if he/she wants.
[2] In Bulgaria, the age completed has no signifance to receive a pension, but acts cumulatively with the required insurance, as indicated above. There are no current plans to increase the achieved in 2020 retirement age and pensionable service.
[3] Average period of years of service of the old age pension beneficiary is 32 years.

Council of Europe Member States	Number of pillars	Levers used by the last reform of the pension system	Legal age of retirement				Average age of retirement	
			In 2012		In 2030		Date to be determined according to the available data	
			Women	Men	Women	Men	Women	Men
Denmark	3	Age of retirement and restructuration of the pillars	65[4]	65	67	67	63 (2011)	63 (2011)
Estonia	3	Age of retirement	60-63[5]	63	65[6]	65	62,5 (2009)	62,5 (2009)
Finland	3	Age of retirement and restructuration of pillars	Between 63 and 68	Between 63 and 68	Between 63 and 68	Between 63 and 68	60.5 (2011)	60.4 (2011)
France	3[7]	Age of retirement mainly	60 and 9 months[8]	60 and 9 months	67[9]	67	62,16 (2011)	61,66 (2011)[10]
Germany	3	Age of retirement	65 and 1 month	65 and 1 month	66 and 10 months	66 and 10 months	63,3 (2010)	63,8 (2010)
Greece	3	Age of retirement, level of pensions and duration of contributions	59[11]	59	60[12]	60	61,5 (2009)	61,5 (2009)

[4] This is only old-age pension. For all other pensions it might be earlier. In 2012 a Danish citizen can have early retirement pension from 60 years old until he/she reaches the age for having old-age pension. A Danish citizen born before 1953 can have old age pension when he/she is 65 years old. For every Danish citizen born later the pension age is 67.

[5] Persons who have attained 63 years of age and whose pension qualifying period earned in Estonia is 15 years have the right to receive old-age pension. In order to gradually make the pensionable age of men and women equal, the right of women to receive old-age pension before attaining 63 years of age varies according to the date of birth.

[6] On April 7, 2010, the Riigikogu (Estonian Parliament) adopted the Act to amend the State Pension Insurance Act and the related acts, providing the general pensionable age of 65 years.The transition period, starting from 2017 is provided for the people, who were born from 1954 to 1960. For those people, the retirement age will be gradually increasing by 3 month for every year of birth, and reaches the age 65 in 2026. The amendment shall take effect on 01.01.2017.

[7] If the classification by pillars of the pension systems does not match perfectly to the French pension system, it is nevertheless possible to define three main components in the French system.

[8] The retirement age is 60 and 9 months in 2012 for the generation 1952 (and 65 and 9 months in 2017 for a full-rate pension, if the insurance period is not full).

[9] The retirement age is gradually raised and will be 62 in 2018 – generation 1956 (and 67 years old in 2023). The rapid evolution of the question of the retirement age makes every projection for 2030 very uncertain.

[10] For the general regime.

[11] In 2012, the legal retirement age for employees (women and men) (general regime) is 59 years having 11.100 working days (37 years). Otherwise, it is 65 years old. For the non-employees (women and men) (OAEE), having 37 working years, the age is 60 years. Otherwise, the age is 65 years.

[12] In 2020 et 2030, for women and men, having 40 working years, the age is 60 years, otherwise it is 65.

Council of Europe Member States	Number of pillars	Levers used by the last reform of the pension system	Legal age of retirement				Average age of retirement	
			In 2012		In 2030		Date to be determined according to the available data	
			Women	Men	Women	Men	Women	Men
Hungary	3	Level of contributions, duration of contributions, age of retirement, subsidies for private pensions, restructuration of the pillars	62	62	65	65	58,6 (2009)	60,0 (2009)
Iceland	3	Level of contributions	67[13]	67	N/A	N/A	N/A	N/A
Italy	2	Age of retirement and level of pensions	62[14]	66	67	67	Depends on retirement pension or old-age pension[15]	Depends on retirement pension or old-age pension
Latvia	3	N/A	62	62	62[16]	62	N/A	N/A
Lithuania	3	Age of retirement and level of pensions	60 and 4 months	62 and 8 months	65	65	61,7 (2010)	62,0 (2010)
Netherlands	3	Age of retirement, level of pensions, level of contributions, duration of contributions.	65	65	67	67	62,5 (2010)	62,5 (2010)
Norway	3	Level of pensions, flexible retirement, life expectancy adjustment of pensions, and indexations of pensions	67[17]	67	67	67	63,2 (2010)	63,9 (2010)
Poland	3	Age of retirement, subsidies for private pensions, restructuration of the pillars	60	65	60	65	59 (2010)	60,2 (2010)

[13] Furthermore, 40 years of residence in Iceland between ages of 16 to 67 years give full old age pension. Other incomes decrease the sum.
[14] In 2012, 66 years old for the state employees women workers.
[15] For *retirement* pension in 2010: 58,3 for employees workers (58,5 men; 57,5 women); and 59,1 for self-employed workers (59,3 men; 58,3 women). For *old-age* pension in 2010: 62,3 for employees workers (65,4 men; 60,8 women); and 63,3 for self-employed workers (66,2 men; 61,6 women).
[16] It is planned to gradually raise the retirement age to 65 years for men and women.
[17] Norway has introduced flexible retirement between 62 and 75 years (for women and men) from 2011. The annual pension increases the longer a person postpones retirement. The term « full-rate pension » does therefore not have the same meaning as in the old system with a more fixed retirement age of 67. The retirement age in the public pension system in Norway was 67 years until 2010, and 67 years is still the retirement age for receiving the minimum pension granted to people with little or no work experience.

Council of Europe Member States	Number of pillars	Levers used by the last reform of the pension system	Legal age of retirement				Average age of retirement	
			In 2012		In 2030		Date to be determined according to the available data	
			Women	Men	Women	Men	Women	Men
Portugal	3	Level of contributions, duration of contributions, age of retirement, level of pensions	65[18]	65	65	65	62,5 (2011)	61,8 (2011)
Republic of Moldova	1	Level of contributions, duration of contributions, age of retirement	57	62	57	62	57 (2011)	62 (2011)
Romania	3	Duration of contributions, age of retirement, level of pensions	59,3 to 59,5 (depending on the date of birth)	61,3 to 61,5 (depending on the date of birth)	63	65	56,3 (2011)	58,3 (2011)
Slovak Republic	3	Level of contributions, duration of contributions, age of retirement, level of pensions, subsidies for private pensions, restructuration of the pillars	59-60 (according to the number of children)	62	62[19]	62	57 (2010)	60,5 (2010)
Slovenia	3	Age of retirement, level of pensions, subsidies for private pensions, restructuration of the pillars	61	63	61	63	58 and 5 months (2011)	61 and 10 months (2011)
Sweden	3	Introduction of the automated balancing mechanism	61 (2nd pillar) / 65 (1st pillar)[20]	61 (2nd pillar) / 65 (1st pillar)	N/A	N/A	62,7 (2011)	63,7 (2011)
Switzerland	3	Level of contributions	64[21]	65	N/A	N/A	63,5 (2004-2009)	65,7 (2004-2009)

[18] For women and men having 40 years of service, the legal age for retirement is 65.
[19] It is planned to gradually extend the retirement age to 65 for women and men.
[20] It is possible to start drawing the earnings-related income pension from the age of 61, for both sexes. The minimum Guarantee pension is possible to draw from 65.
[21] The age mentionned above for women and men concerns the first pillar.

Council of Europe Member States	Number of pillars	Levers used by the last reform of the pension system	Legal age of retirement				Average age of retirement	
			In 2012		In 2030		Date to be determined according to the available data	
			Women	Men	Women	Men	Women	Men
"The former Yugoslav Republic of Macedonia"	3	Level of contributions	62	64	62	64	58	59
Ukraine	3	Level of contributions, duration of contributions, age of retirement, level of pensions, restructuration of the pillars	55,5	60	60	60 (62 for civil cervants)	50	50
Observer States to the Council of Europe								
Canada	3	Age of retirement, level of pensions	No legal retirement age[22]	See note 23	See note 23	See note 23	61,5 (2011)	63,3 (2011)

[22] There is no legal retirement age in Canada. The mandatory retirement age was revoked in December 2011 by the *Keeping Canada's Economy and Jobs Growing Act* (Bill C-13). As of December 2012, no federally regulated employee can be forced to take retirement at age 65 (see s.165 of Bill C-13; see the original *Canadian Human Rights Act*'s section 9(2) and section 15(1)(c)). The OAS benefits begin at age 65: please note that it is likely that this age will be changed after March 2012 (once a reform is undertaken); it is possible that the age will become 67 but it is unknown if this age will come into effect before or after 2020. The CPP benefits can begin between the ages of 50 to 70, depending on various criteria (age, years of service, disability, deferral, …).