

Green Paper towards adequate, sustainable and safe European pension systems

Please provide us with some information about yourself

Are you replying as an individual or on behalf of an organisation?	Business organisation
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Please indicate your name (maximum 100 characters)

SEGRETERIA

Please indicate your organisation's name (if applicable, maximum 200 characters)

ASSOGESTIONI - ASSOCIAZIONE DEL RISPARMIO GESTITO

In which country are you and/or your organisation based?	Italy
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General comments

Please use this space for any general comments you wish to make about the Green Paper towards adequate, sustainable and safe European pension systems, separately to answering the consultation questions below.

Adequate and sustainable pensions

1. How can the EU support Member States' efforts to strengthen the adequacy of pension systems? Should the EU seek to define better what an adequate retirement income may entail?

As regards the adequacy of retirement benefits, we believe that the Commission's policy measures should be directed at boosting worker take-up of supplementary schemes, including by stimulating the supply and efficient management of products in terms of providing incentives to the aggregation of assets under management and efficiency of permitted investments and with a view to reducing the costs of taking part in pension schemes. In particular, the aims of sustainability and adequacy should be pursued by promoting so-called multi-pillar schemes, which provide better protection for workers through diversified systems. It is considered, therefore, that Community and national policies should be geared towards participation in supplementary schemes, in order to offset the reduction in public retirement benefits with private retirement provision. Further prospects are opened up by the possibility of ensuring sufficient earnings, especially for young people and the groups most seriously affected by inadequate retirement provision, to pay into supplementary schemes. That objective could be pursued by identifying further tax reliefs so that more could be set aside for supplementary provision. In that way, even young people in atypical employment would be able voluntarily to build up an individually funded second-pillar pension.

2. Is the existing pension framework at the EU level sufficient for ensuring sustainable public finances?

Work and retirement

3. How can higher effective retirement ages best be achieved and how could increases in pensionable ages contribute? Should automatic adjustment mechanisms related to demographic changes be introduced in pension systems in order to balance the time spent in work and in retirement? What role could the EU level play in this regard?

4. How can the implementation of the Europe 2020 strategy be used to promote longer employment, its benefits to business and to address age discrimination in the labour market?

Removing obstacles to mobility

5. In which way should the Institutions for Occupational Retirement Provision (IORP) Directive be amended to improve the conditions for cross-border activity?

With reference to removing barriers to mobility, we believe that the regulatory framework of Directive 2003/41/EC could be improved, especially as regards the provisions whereby the national regulatory authorities can impose more stringent and therefore discriminatory requirements on cross-border operations. Assogestioni and Mefop favour measures to remove the barriers imposed by national legislation, in order to create a European market that extends the range of products available and can achieve economies of scale and management efficiencies. Notwithstanding this, we cannot fail to point out that a competitive European market capable of sustaining worker mobility cannot be created unless it is accompanied by individual national markets in which workers are free to make their own choices in relation to supplementary provision. There are, however, still significant differences in terms of tax and social security treatment that prevent the creation of a genuine cross-border market for pension funds, thereby obstructing the free movement of workers within the Community.

6. What should be the scope of schemes covered by an EU level action on removing obstacles for mobility?

7. Should the EU look again at the issue of transfers or would minimum standards on acquisition and preservation plus a tracking service for all types of pension rights be a better solution?

Comments

Safe and transparent pensions

8. Does current EU legislation need reviewing to ensure consistent regulation and supervision of funded (ie backed by a fund of assets) pension schemes and products? If so, which elements?

The main element requiring review to funded pension schemes concerns the provision for paying retirement benefits in the form of an annuity at the time of retirement, because we believe that this regulatory option is less than optimum in relation to scheme members' requirements and needs. As shown by the study commissioned by EFAMA Rethinking retirement income strategies: How can we ensure better outcomes for future retirees? by Prof Maurer and Barbara Somova, contrary to what is generally enforced by regulation, converting the accumulated amount into an annuity does not represent the best decumulation strategy. Moreover, the annuity market is not properly developed in terms of products -restricted choices for workers- and of costs, which are currently too high. We consider it advisable to rethink possible ways that capital accumulated during working life can be employed upon retirement, for example by allowing investment of at least a portion of payout in equities at start of retirement period, to be followed by a gradual transfer towards bonds and annuities. Current regulatory framework in Europe needs a balance between regulator's public law requirements and needs of retirees. The obligation immediately to convert the entire capital into an annuity does not allow individuals flexibility to determine the risk/return profile most suited. A more flexible regulatory framework for the payout phase of pension schemes would promote innovation in European financial markets and stimulate the creation of products that meet retirees' needs. Competition between suppliers of payout products and services would increase, thereby reducing costs. If alternatives to annuities were available, asset managers could achieve economies of scale to offer innovative products and promote solutions enabling workers to find best mix between benefits offered by the compulsory system and supplementary pension schemes.

9. How could European regulation or a code of good practice help Member States achieve a better balance for pension savers and pension providers between risks, security and affordability?

It is felt that a better balance between risks, security and affordability in defined contribution supplementary pension schemes could be achieved by providing adequate resource allocation mechanisms, including automatic mechanisms, that enable scheme members to reduce risk exposure as they get older. This, in particular, concerns best practice encouraging the adoption of life cycle strategies whereby members benefit from a system of reallocation of individual positions from more risky investments, typically in equities, to more prudent investments as retirement age approaches.

10. What should an equivalent solvency regime for pension funds look like?

11. Should the protection provided by EU legislation in the case of the insolvency of pension sponsoring employers be enhanced and if so how?

Comments:

12. Is there a case to modernise the current minimum information disclosure requirements for pension products (e.g. comparability, standardisation and clarity)?	Agree
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Comments:
As regards the minimum information to be disclosed on pension products so that individuals can make informed choices in terms of comparability of pension provision and awareness of options relating to participation in pension schemes, it is hoped that the Commission will take action to fine-tune the minimum information requirements so as to ensure an efficient system of protection of members of both public and supplementary schemes. In any event, that action should be designed to ensure that an adequate set of information is available to individuals, but without being cumbersome which could prejudice clarity and immediate understanding by scheme members, as well as have serious repercussions in terms of the performance and operational efficiency of pension schemes. As regards informing members, we are keen to point out that it is quite obvious that the level of financial literacy of the target audience is not presently adequate, especially in view of the responsibilities placed on those participating in defined contribution pension schemes, who are obliged, amongst other things, to take decisions on the scale of contributions, the subdivision of the latter amongst various investment lines and the distribution of the final benefit in relation to their own needs for cover and attitudes to risk. It is therefore desirable for specific provisions to be issued at Community level on the standard information to be provided to scheme members, so as to promote knowledge of public and private retirement provision and the respective benefits.

13. Should the EU develop a common approach for default options about participation choice and investment choice ?
With reference to the default options about participation and investment choices, we believe it desirable for the Commission to provide general guidelines and recommendations in respect of the provision of automatic investment allocation mechanisms based on the age and working situation of scheme members, in any event giving them the right to make different choices if they consider that the default options are not appropriate for them.

Should the EU develop a common approach for default options about participation choice?	Agree
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Should the EU develop a common approach for default options about investment choice?	agree
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Governance

14. Should the policy coordination framework at EU level be strengthened? If so, which elements need strengthening in order to improve the design and implementation of pension policy through an integrated approach? Would the creation of a platform for monitoring all aspects of pension policy in an integrated manner be part of the way forward?
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Should the policy co-ordination framework at EU level be strengthened ?	
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