



For a regulatory framework at European level concerning occupational pension schemes¹.

Resolution approved by the Executive Committee during its meeting of 13 & 14 December 2000

1.1. As it reminded members at its last Congress, the ETUC remains firmly committed to public pension schemes² which should be the fundamental element of retirement pensions. It is important, in these circumstances, that everything possible should be done to ensure the sustainability and financial viability of such schemes. That is why the ETUC welcomes the initiatives taken in that direction by several Member States, as for example the set up of “demographic reserve funds”. When these funds are established, however, measures should be taken to involve the social partners so that they remain permanently earmarked for their initial purpose and are not used by governments for other ends.

In the same way, the ETUC is particularly attentive to ensuring that the financial resources necessary for social protection systems, and pensions in particular, are not only maintained, including for reasons of compliance with the stability pact, but are also developed through the search for other sources of financing.

1.2. The importance that the ETUC attaches to public pension schemes is also based on the fact that these schemes implement mechanisms of solidarity, not only between generations but also within generations. So they enable pension rights to be guaranteed during periods of unemployment and career breaks for reasons of illness or for family reasons.

1.3. The ETUC is also convinced that, as regards the future of pension schemes, whatever method is used to fund them (on a pay as you go basis or through private financing), if population growth is a factor to be taken into consideration, it is not the only factor: the development of employment and growth (and increased productivity) are essential. Whatever the manner of funding, only existing wealth at any given moment can be distributed.

Hence the call by the ETUC, which is fully in line with the objectives fixed at the recent Lisbon Summit, to develop “full employment”.

¹ The concept of “occupational pension schemes” covers the pension benefits provided as a supplement to the benefits paid by public pension schemes, in the framework of a professional activity.

² General resolution on trade union policy, the ETUC Congress, 1999 in Helsinki, paragraph 43

2.1. Occupational pension schemes have developed, notably in the last decade - even if in certain Member States they are part of a longer-standing tradition - in order to supplement public pension schemes. For the ETUC, although they are part of the “European social protection landscape”³, occupational pension schemes should neither be considered as an alternative solution to the problem of the viability of public pension schemes nor, above all, allowed to undermine the latter. Above all public pension schemes should be maintained and their funding assured. On the other hand, in the Member States where, for historical reasons, the benefits of the public pension scheme are low, they can provide a useful supplementary source of resources for pensioners and, as such, they must be generalised to cover all employees⁴.

2.2 There are several techniques for the implementation of occupational pension schemes. The technique which is the closest to that generally used for public pension schemes, that is to say the pay as you go system based on the principles of solidarity and insurance, is that used in the so-called “defined benefits”⁵ scheme. Nevertheless, the national context and negotiating constraints, and more concretely, the balance of power, mean that this approach is not always feasible and other techniques may be adopted.

2.3. For the ETUC, the development and establishment of these occupational pension schemes must satisfy, in the interests of contributors and pensioners, a certain number of criteria, some of which must be laid down in a European regulatory framework and transposed into national legislation and/or collective agreements.

2.4. The ETUC requirements - some of which have already been expressed in the Resolution of the Helsinki Congress - for the establishment of occupational pension schemes are five in total. However, the ETUC does not claim that this list is exhaustive.

2.4.1. Thus the European regulatory framework should set out the conditions for their establishment, inter alia through collective agreements between the social partners on the appropriated level(national, branch, company level).

³ General resolution on trade union policy, the ETUC Congress, 1999 in Helsinki, paragraph 43

⁴ In the United Kingdom or in Ireland for example, where the public pension schemes provide minimal benefits, less than one employee in two is covered by an occupational pension scheme.

⁵ Generally speaking, there are two main types of occupational pension schemes:

- the so-called “defined benefits” schemes, in which contributors acquire, for a similar contribution, “identical” pension rights, whatever their age or gender; in other words, it is a scheme whereby the benefits are defined in advance by the sponsor(s) of the scheme(for example in percentage of final pay) independently of the contribution rate and the return on assets
- the so-called “defined contributions” schemes, in which contributors constitute a "capital" which, when they retire, can be received in part or in full or partially transformed into an annuity. For the purpose of establishing the amount of the annuity, the fact that the contributor is a man or woman is important. In the case of a man, his annuity will be higher because his theoretical life expectancy at the time he retires will be shorter, whereas a woman, whose theoretical life expectancy is longer, will accordingly receive a lower annuity; in other words, it is a pension scheme, where only contributions are fixed and benefits therefore vary depending on the level of these contributions and on the return of assets .

2.4.2. Occupational pension schemes set up must not simply be investment funds to guarantee a personal pension, but they must also be able to cover biometrical risks– that is to say, to guarantee an income, in case of invalidity and longevity and/or to a widower or a widow, and if necessary, to orphans, in the event of the death of the contributor, pending the implementation of a genuine individualisation of rights.

2.4.3. As soon as such occupational pension schemes are introduced, a company's contributions must cover all its employees, independently of the technique chosen. Access to such occupational pension schemes must be guaranteed to all workers in the sector or company, and of the multinational in case of cross-border membership, whether they are employed on a full-time or a part-time basis, and irrespective of whether they are working on open-ended or fixed-term contracts.

2.4.4 The principle of equal treatment between men and women must be applied.⁶

2.4.5. Once the occupational pension scheme techniques have been defined in an agreement between social partners (at sectoral and/or company level), ETUC organisations must be involved in the strategic choices and in the control of occupational pension schemes, including in the choice of the management body or bodies. They should bring their weight to bear on investment strategies⁷ so as to foster employment, favouring investment in companies which are keen to develop employment and which are generally regarded as “socially responsible” and thus avoiding purely speculative investments.

3.1. At European level, the regulatory framework which the ETUC demands, must not only be limited to the financial aspects related to the implementation of occupational pension schemes⁸, but must also give the same priority to resolving the social and tax aspects.

3.2. As regards what are known as the “social” aspects, the ETUC includes in that category both the participation of the social partners in the implementation of occupational pension schemes (as mentioned in the preceding paragraphs) and questions associated with obstacles to the mobility of workers.

On the last point, the ETUC wants to avoid workers who move from one Member State to another being penalised, when they want to acquire, or even preserve their rights. For that reason, the regulative framework must guarantee the acquisition, maintenance and transferability (or portability) of the rights of workers concerned⁹, and provide for “cross-border” membership, the abolition of vesting periods required before the

⁶ At the current time, legislation in this area applies to the contributions and benefits of workers (both men and women). Employers can contribute differently according to the gender of employees. Some bodies require different actuarial calculations, depending on the gender of the employee, and taking account of different life expectancies.

⁷ General resolution on trade union policy, the ETUC Congress, 1999 in Helsinki, paragraph 43

⁸ The Commission is currently considering envisaging a proposal for a Directive which would deal solely with the financial aspects of occupational pension schemes, linked to the free movement of capital.

⁹ A Directive (98/49) already exists on this subject, relative to the protection of the supplementary pension rights of workers and salaried and non-salaried employees who move within the Community.

definitive acquisition of pension rights in these types of occupational pension schemes, and the adjustment of pensions paid and annuities.

Likewise, the ETUC's demand that the social partners should be involved in the strategic choices and control of these occupational pension schemes, must be incorporated as a clearly defined right in the framework, since these are in effect postponed salaries.

This also implies that such framework should indicate that the "ownership" of the funds amassed under these occupational pension schemes, remains, in the final analysis, with the contributors and pensioners and should not pass at any time to the body responsible for managing the funds, whatever its nature: a specialised investment management company, bank, a mutual insurance company or an insurance company.

3.3. The European regulatory framework must also resolve, as a matter of urgency, the tax question relative to the implementation of these occupational pension schemes, in order to avoid for the workers and pensioners concerned, either double taxation (on the contributions and on the benefits), or non-taxation, with all the implications that the latter solution has for the general financing of social protection. That requires a minimum of tax co-ordination between the Member States.

3.4. As regards the financial aspects, it is vital to establish a minimum number of rules because it is essential to protect the rights of contributors and pensioners and to promote employment, without however impeding managers' room for manoeuvre or the freedom of movement of capital. These rules would relate inter alia to the need to ensure "prudent" management, and would therefore prohibit purely speculative investments and cover the amount of provision necessary to guarantee the rights of pensioners and future pensioners according to the technique chosen.

4. Finally, the ETUC considers that it is important to encourage exchanges of experiences and good practices regarding occupational pension schemes, between trade-unions, in order to identify the obstacles to the accomplishment of these objectives and, by benefiting from each others' experiences, to develop together solutions.