

Brussels, 23 September 2015

## **AGE Platform Europe comments on the 2015 Pension Adequacy Report in view of informing debate at the EPSCO on 5<sup>th</sup> of October 2015**

On behalf of AGE Platform Europe and our members, we thank you for the opportunity to submit the present note in addition to the key concerns and recommendations on pension adequacy – raised during the informal meeting between Social Platform and the Social Protection Committee on 17-18 September 2015 in Luxembourg. We hope that our contribution will be found useful for the further debate on the 2015 Pension Adequacy Report and for the SPC key messages to the upcoming Employment, Social Policy, Health and Consumer Affairs Council (EPSCO) on 5 October 2015.

AGE congratulates the Social Protection Committee (SPC) for its comprehensive stocktaking of adequacy challenges identified in the report and proposed for further consideration in EU and national debates on pension reforms. The recent Pension Adequacy Report brings a complementary perspective to the 2015 Ageing Report 2015 drafted by the Economic Policy Committee by providing a very useful assessment of the social dimension in pension reforms.

We welcome your efforts to address the issue of pension adequacy since so far little attention has been paid to the impact of pension reforms on social realities faced by older people. According to our members' feedback in several Member States current reforms will have a significant cumulative negative impact on the living standards of current and future pensioners.

Therefore, AGE strongly supports SPC efforts to bring the issue of pension adequacy on the table and warns national policy makers against further pension reforms aimed exclusively at ensuring more financial sustainability. While AGE members acknowledge the need to reform, the aim should be to make pension systems more efficient in ensuring an adequate income in old age, fairer to all generations and population groups, including women, and affordable for all.

The current exclusive focus on pension sustainability starts to affect significantly older people's fundamental rights. Within the European Semester, any recommendation on fiscal consolidation, structural reforms and modernisation of social protection should respect Member States' endeavour to reform their pension systems to achieve better adequacy for all, fight against old age poverty and combat gender inequalities in old age.

We recommend that more attention is paid to:

### **1. The gender pay, career and pension gaps**

We are pleased that gender and employment related issues have received due attention in both the 2015 Ageing Report and SPC key messages. We would like however to urge national governments to



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come with further measures to effectively combat the aggravated discrimination faced by older women and address the unacceptably high gender pension gap, currently standing at almost 40% in the EU. In addition to measures needed to support employment of women of childbearing age, it is also urgent to introduce measures to help older women remain in the labour market until statutory retirement age. This means that measures to help workers reconcile work and family care duties should not be limited to increasing childcare offer but should also increase eldercare facilities to cover all informal care workers' needs. Yet, with the current austerity context, both child and eldercare are sectors where cuts are introduced to reduce public budget deficit. Such austerity measures have a direct detrimental impact on women and force mainly older women to retire earlier than wished. Therefore, AGE Platform calls on Member States and Commission to:

- Enforce gender pay and career equality through employment-related measures such as investment in child and eldercare – in order to ensure an adequate retirement income for women in the future;
- Introduce transitional measures to address the unacceptable gender pension gap affecting currently older women, in particular the very old;
- Enhance equality in access to pension rights for all, by monitoring the implementation of the EU Directives 2000/78 and 2006/54 and through the Europe 2020 framework to combat more effectively age and gender discrimination faced by older women in employment;
- Adopt a carer's leave directive to better accommodate career breaks for anyone who needs to provide informal care for a young child, a disabled relative or older dependent parent.

## **2. Align statutory retirement age to the healthy life expectancy**

If adjustment mechanisms are to be introduced to follow gains in life expectancy, AGE calls on Member States to:

- Link statutory retirement age to the healthy life expectancy rather than life expectancy. Life expectancy increases in the EU, but the healthy life year indicator is not increasing in parallel and is even decreasing in some countries. Between 2010 and 2013, healthy life years indicator reduced by 1.1 years for women and 0.4 years for men on average in the EU. As mentioned in DG SANTE website, Healthy Life Years is a solid indicator to monitor health as a productivity/economic factor.

## **3. Strengthen pensions adequacy to guarantee access to affordable services**

Whilst pensions are being reduced in many member states, out-of-pocket health care costs are increasing. Consequently, not only low and medium-income pensioners struggle to access quality health and LTC because their pension is no longer sufficient to cover essential services such healthcare. There erosion of pensioners' income has been accelerated due to the rolling back in the provision of many social services. AGE calls on Member States to:



- Preserve universal access to affordable social services (including health and long-term care) in order to avoid that pensioners have to choose between eating and care. Older people's well-being and dignity are at stake in some countries;
- Increase public investment in child and eldercare services to support employment of workers of all ages who have informal caring duties;
- Develop reference budgets for older people to better assess pension adequacy at different ages and assess the affordability of the services one needs to live and age in dignity (across the whole life span);
- For the population over 65 years, reference budgets should be broken by gender and age in order to prevent the "feminisation" of poverty in old age and the income erosion among the oldest old.

#### **4. Protect consumers in the decumulation phase of their supplementary pension pot**

In the last decade there has been a strong shift from DB to DC schemes and most of DC schemes have only started to pay out pension pots a few years ago. The market has reacted by developing decumulation products that have become too complex to enable ordinary older consumers to make a sensible choice on their own about what to do with their pension savings.

Annuities are the most important and de facto the most common way of decumulating one's pension savings – at the same time being the least transparent features of supplementary pensions. There are obvious signs that the annuities markets are "dysfunctional" from the consumers' perspective. AGE calls on Members States to:

- Improve annuity markets in terms of simplicity, standardisation, transparency, cost-efficiency and transferability of contract (switching) in order to provide better services to consumers in the decumulation phase;
- Monitor pension decumulation practices and ensure that consumers are adequately informed and protected against misselling. While annuity products have been criticized, there are also substitute or replacement strategies (asset management based products, income drawdown products, home equity release schemes, property investments etc.) which involve considerable risks for retirees and uncertainties tied to low transparency, lack of independent advice on individualized mix of products in retirement, blurred fee structure and outcome certainty.

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#### **About AGE Platform Europe**

*AGE Platform Europe is a European network of organisations of seniors and representing over 40 million older people in Europe. AGE aims to voice and promote the interests of the 190 million citizens aged 50+ in the European Union and to raise awareness of the issues that concern them most.*

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