agirc RETRAITE DES CADRES

ARRCO Retraite complémentaire des salariés

l'EUROPE en bref

1/2010

Update on …

Since May 1, 2010, regulation 1408/71 has been replaced by regulation 883/2004

European coordination of Social Security is not of overriding concern to Social Security institutions who are faced with many more immediate challenges. Nevertheless, the transnational phenomenon is not negligible, with some 200 to 300,000 posted workers each year and more than 600,000 French pensioners residing in other European countries.

Moreover, the Commission remains especially attentive to individual complaints lodged by citizens with administrative problems linked, directly or indirectly, to free movement within Europe.

For Agirc and Arrco, since their voluntary participation in European Social Security coordination in 2000, the so-called coordinated dossiers have grown from 23,000 in 2001 to 51,000 in 2009.

In practice, the entry in force on May 1, 2010 of the new regulation represents no fundamental change as far as pensions are concerned: applying for pension in the country of residence of the future pensioner is equivalent to applying in all of the countries where one has rights and schemes based on duration must take into account the total periods worked in Europe to establish pension rights.

A process for compiling periods, which is not compulsory for Agirc and Arrco since a specific addendum was provided. It should be recalled that the object of integration was to position Agirc and Arrco in the first pillar.

The new regulation takes into account the entry of new types of schemes in Social Security coordination: legally compulsory first pillar schemes financed like individual defined contribution plans.

As far as technical coordination rules are concerned, such schemes find themselves alongside Agirc and Arrco: article 52 of the regulation generalizes exemption from totalising for schemes where calculation of benefits is not based on periods. A measure that groups schemes such as Agirc and Arrco, the Swedish notional accounts schemes and the first pillar schemes with defined contributions of Poland, Hungary and Latvia… *(see page 4)*.

In practical terms, the real revolution will take place May 1, 2012 with the implementation of Electronic Exchanges of Social Security Information (EESSI), which should allow settlement of different national pensions within two months following the filing of a EU application.
(see page 6).

As of 2010, administrative cooperation, such as access and information for citizens, will be basic to the application of the new regulation, with the first example being a public directory of coordinated social security institutions available on line.
(see page 5).

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2010 EPC-SPC Joint Report

Important disparities among Member States in confronting the crisis

In view of the Spring Summit of March 2010, the European Commission made public the 2010 edition of the joint report of two committees of experts of the Council of the European Union – the Economic Policy Committee (EPC) and the Social Protection Committee (SPC).

A European Commission communication highlights the main findings.

The stabilizing effect of European social protection systems have limited the effects of the crisis, but important disparities can be detected among EU countries.

On one hand, the size and nature of the crisis varies according to country: Germany, Luxemburg and Belgium have been the least affected by increases in unemployment while the Baltic countries have been the hardest hit.

On the other hand, the coverage and efficiency of social protection systems vary widely from one category of country to another in the EU. Even before the crisis, States did not offer the same level of social protection, the share of GDP going to social protection expenditures (mainly pensions and health care) ranged from 11% in Latvia to 29% in Sweden.

Faced with the crisis, the majority of States preferred to increase deficits, calling on Social Security systems to play a role; others used their reserve funds (Ireland, Latvia).

Concerning retirement, the report shows pensioners were the least affected, with the exception of certain countries where payments were reduced (-10% in Latvia as of July 2009 with no indexing in 2009 and 2010, -5% in Lithuania).

Nevertheless, according to the Commission, the crisis will have an impact on future pensioners who will be increasingly exposed to the fluctuations of financial markets and the capacity of labour markets to provide long and uninterrupted careers. Reforms of pension schemes over the last ten years have aimed at reinforcing the contribution/benefit link in pay-as-you-go schemes and transferring risk to the insured with a shift to defined contributions in funded schemes.

The Commission recognizes that the crisis has revealed the vulnerability of funded schemes to financial market fluctuations: but the ability of the funds to weather the crisis has varied from fund to fund, showing that differences in design and investment strategies should be explored.

Figures

Eu 27 Social expenditures in proportion of GDP have rised from 27.5% to 30.8% in 2010.

The EU public deficit rised from 2.3% of GDP in 2008 to 7.5% in 2010.

The EU unemployment rate stands at 9.1% and should reach 10.1% in 2010. This figure doubles to 21% for those under 25.
The Netherlands (4%), Austria (5.4%) and Luxemburg (6.2%) registered the lowest rates of unemployment while the highest were in Latvia 22.8%) and Spain (19.5%).

Source: joint EPC-SPC joint report on pensions

☞ http://register.consilium.europa.eu/pdf/en/10/st09/st09989.en10.pdf

Green Paper on Pensions

Commission guidelines expected in June

The three General Directorates of the European Commission involved in social protection and retirement joined forces to publish a Green Paper on pensions in June.

This is a new approach on the part of the Commission, since the DG EMPL (employment, social affairs and inclusion), the DG ECOFIN (Economic and financial affairs) and the DG MARKT (internal market and services) will combine points of view in a single document making way for a public consultation in spring 2011 and the drafting of a White Paper suggesting possible actions.

The financial crisis and its consequences on retirement systems, which have intensified financing problems linked to ageing, form the basis of the document that concerns the first and second pillar. In this respect, proposals for revising the IORP directive of 2003 concerning the activities and supervision of institutions for occupational retirement provision may be formulated.

In addition to the adequacy and viability of systems, worker mobility may be one of the important themes of the document, along with portability of benefits, whether of the first pillar of the new Member States or second pillar schemes (occupational plans).

Re-evaluation of pension reforms
The Social Protection Committee, in cooperation with the Economic Policy Committee, has announced its intention to re-evaluate progress in the area of pension reform over the past ten years in the light of setbacks due to the crisis and accruing problems of ensuring adequacy and viability in a context of slow growth and accelerated ageing.

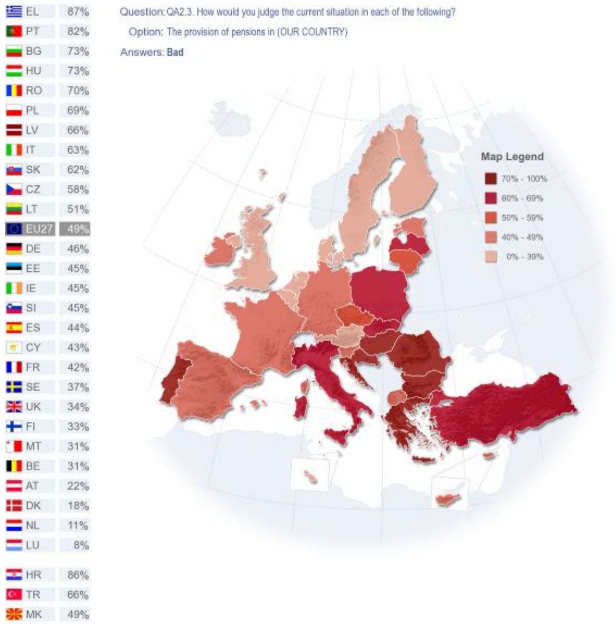
EUROBAROMETER

Are Europeans satisfied with their public services?
Published by the European Commission (DG EMP) in February 2010, the Social Situation Report *(see box)* incorporates the results of a Euro barometer survey on the social climate in the EU. Europeans were asked whether they were satisfied with their lives, countries and public services – administrations and social services.

The Eurobarometer survey, carried out in May-June 2009, revealed that despite a difficult economic context, the majority of Europeans were rather satisfied, with an average of +3.2 points (on a scale of –10 to +10).

Fairly upbeat when considering their lives in general, Europeans were unhappy on average with the way the public administrations of their countries were managed (-1.2 points on average).

Concerning retirement, one citizen out of two (49%) thought that pensions were insufficient or very insufficient (13%). Dissatisfaction was mainly to be found in the Southern and Eastern regions of Europe, with the highest levels in Greece (87%), Portugal (82%), Bulgaria (73%), Hungary (73%) and Romania (70%). The countries where citizens were satisfied were the Netherlands (79%), Austria (75%) and Luxemburg (72%). In France, 42% of those questioned said they were unsatisfied with their pension system.



Europeans were more positive concerning the quality of health care benefits (+1.3 points). Particularly high scores (more than 5 points) were recorded in Belgium, the Netherlands and Luxemburg, while the Bulgarians, Greeks and Rumanians were the unhappiest (-3 points or less). Most Europeans thought that the quality of health care services had gone down over the past five years and expected the trend to continue over the coming twelve months.
☞ http://ec.europa.eu/social/main.jsp?langId=en&catId=89&newsId=696&furtherNews=yes

The Social Situation Report is one of the tools the European Commission uses to follow developments in the various Member States of the European Union.

The annual Report contributes to the public debate on social policy by providing indicators describing all the areas of social policy, of which the majority comes from European surveys carried out by EUROSTAT on income and living conditions.

OCCUPATIONAL PENSION INSTITUTIONS

New European Authority
The European Parliament is to pronounce on the European Commission proposed draft legislation to strengthen the EU framework of supervision. This should lead to the organization of a new control authority for insurance and pension funds (EIOPA).

In response to the financial crisis and based on recommendations published in February 2009 by a high level group chaired by Jacques de Larosière, European authorities have proposed:

- on one hand, the creation at a macro-prudential level of a European Systemic Risk Board (ESRB) for detecting risks to the stability of the European financial system,
- and on the other hand, at a micro-prudential level, of a European system of financial supervision to control the activities of financial services, by coordinating a network of national supervisors through three new European sectoral authorities to replace the three existing consultative committees (Lamfallussy committees):

- the European Banking Authority (EBA) to replace the Committee of European Banking Supervisors in London.
- the European Securities and Markets Authority (ESMA) to replace the Committee of European Securities Regulators in Paris,
- the European Insurance and Occupational Pensions Authority (EIOPA) to replace the CEIOPS for insurance and occupational pension institutions in Frankfurt.

Far from remaining a consultative group, the EIOPA will be given new powers, such as those for elaborating a project for regulating financial standards that the European Commission could make binding and those for enacting individual decisions with regard to institutions falling within its sphere of activity.

Social Security Coordination

What place for funded schemes in the first pillar?

During a technical seminar organized by the AEIP in Vienna last April, a representative of the Slovak social affairs ministry remarked on the incompatibility of social security coordination rules with schemes legally existing in many of the new Member States that are not just based on defined contributions but funded: “the low sums accumulated in each of these States by a migrant worker do not allow a pension and we cannot oblige operators to pay contributions whose cost exceed the sums”.

A procedure for transferring an account to the institution of the scheme in the State hosted the migrant would be best (unless the State has no first pillar funded scheme).

A representative of the European Commission judged it wise to consider the problem in connection with the directive relating to occupational pension institutions, referring to the second pillar (IORP directive of 2003) where the question of portability remains open.

In its present form, the new coordination regulation, which recognizes the entry of new first pillar schemes with funded individual accounts, does nothing more than to generalize an exemption from the classical calculation rule: “the prorata calculation shall not apply to schemes providing benefits in respect of which periods of time are of no relevance to the calculation, subject to such schemes being listed in part 2 of Annex VIII” (article 52, paragraph 5).

Annex VIII mentions pension benefits based on membership in “private pension funds” in Hungary, “old age pension under the defined contribution scheme” in Poland, “pension from compulsory supplementary pension insurance” in Slovenia, “mandatory old age pension saving” in Slovakia and “the bonus pension” in Sweden, all legal schemes with the right to figure in the Social Security coordination programme, in comparison with the Agirc and Arrco supplementary schemes targeted in the same annex whose entry into the coordination programme was agreed to on a voluntarily basis.

The effects of the crisis on funded first pillars

Estonia: compulsory contributions to a defined contribution scheme set up in 2002 were suspended from June 1, 2009 to December 31, 2010. Active members could resume their contributions in 2010 on a voluntary basis at a reduced rate (3% of which 2% for the State instead of 6% of which 4% for the State).

Lithuania: contributions to an optional defined contributions scheme set up in 2004 have been temporarily reduced from 5.5% to 2% until 2012.

Latvia: compulsory contributions have been reduced from 8% to 2% and will rise to 4% in 2011 and 6% in 2012; a share of contributions to the compulsory defined contributions scheme set up in 2001 were reallocated to a pay-as-you-go scheme.

Slovakia: in 2008, members were authorized to leave the funded scheme to return to a pay-as-you-go scheme they were formerly obliged to leave; a defined contributions scheme set up on a compulsory basis in 2005 will become optional for new workers.

Poland: a reduction in contributions for the youngest workers to the compulsory scheme is under consideration, with the rate dropping from 7.3% to 3% and reorientation to a pay-as-you-go scheme.

Social Security Coordination

The new regulation 883/2004 in force since May 1, 2010

Regulation (CE) 883/2004 of April 29, 2004 on coordination of Social Security systems and Regulation (CE) 987/2009 of September 16, 2009 defining terms of application have been in force since May 1, 2010.

For the Agirc and Arrco schemes this represents no immediate upheaval in the sense that coordinated dossiers (some 50,000 per year) continue to be transmitted in the usual way to Agirc-Arrco by the French basic schemes on paper forms.

Nevertheless, as of May 1, 2012, the hundreds of European paper forms, including pension applications (E202 and E203 along with E205 and E207) as well as E210 will be replaced by electronic documents (SED structured electronic document) transmitted within a configuration common to the institutions of the 31 States of the European area (27 EU States plus Norway, Island, Liechtenstein and Switzerland) where the principle was agreed on in 2007.

This configuration is based on national contact points. In France, there will be a single contact point developed by the CNAV through a project monitored by CLEISS (French for Centre for European and International Social Security Liaison).

Agirc and Arrco have integrated the steering committee that includes all of the institutions concerned.

A transition period to May 1, 2012 will allow Member States to prepare for electronic exchange of information on Social Security (Electronic Exchange of Social Security Information EESSI).

A decision of June 12, 2009, emanating from the Administrative Commission for the Coordination of Social Security Systems stipulates that "during the transitional period, an institution shall accept relevant information on any document issued by another institution, even if it is based on an outdated format, content or structure. In case of doubts concerning the rights of the citizen concerned, the institution shall contact the issuing institution in the spirit of good cooperation".

A directory of the organizations applying social security coordination is now available on line on the DG EMPL site of the European Commission: even though accessible to the public, its purpose is to allow Social Security institutions of each State to contact their counterparts in other States.

http://ec.europa.eu/employment_social/social-security-directory/

No more than two months to obtain retirement

Electronic Exchanges thanks to the EESSI system should allow settlement of a pension in the two months following the initial application.

As an illustration, 25% of retirement dossiers in Spain are coordinated dossiers. According to Pablo Antolin, the representative of the Spanish presidency of the European Union, it takes 17 days to settle a national pension. But it takes more than 211 days to settle the same pension when a Community application involving periods of activity in another Member State has been filled.

It should be noted though that such delays are difficult to interpret without knowledge of the exact departure point: completion of the dossier or first contact.

OECD

According to an OECD report, the Czech Republic needs extensive reform

Reducing a public deficit estimated at 6.6% in 2009 to 3% is the challenge facing the Czech Republic before joining the euro zone in 2013.

An OECD report, presented by OECD General secretary Angel Gurria during a visit to Prague last April, notes that a rapid ageing of the Czech population will lead to a rise in costs linked to age (pensions more than health care) of 6.4 points of GDP by 2060.

On the eve of important elections, a project for establishing a compulsory funded 2nd pillar of defined contributions that insured persons could finance with a share of contributions to a pay-as-you-go 1st pillar is at a standstill.

On a similar note, reform of the health care sector to redefine basic care provided by the public system and diversify available insurance offerings did not find favour due to a refusal of patient contributions for medical consultations.

The Czech Economy, which depends heavily on exports, has been hard hit by the world recession and, according to the OECD, remains highly vulnerable, with a 7.3% unemployment rate at end 2009, a level not reached since the 90's.

☞ *www.oecd.org/eco/etudes/tcheque*

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