TUAC Ad Hoc meeting on Pension reforms
Paris, 1 December 2014
OECD Conference Centre, 2 rue André-Pascal, Paris 16

REVISED AGENDA

As of 27 November

9:15-10:45	**Item 1**	**Overview of pension sustainability and reform issues**
9:20-10:10 (presentation and Q&A)		*Overview of recent pension reforms & future challenges:* • *Hervé Boulhol, Senior Economist, Social Policy Division, Directorate for Employment, Labour and Social Affairs*
10:10-10:40 (presentation and Q&A)		*Post-crisis "secular stagnation" and its implications for pension systems* • *Lukasz Rawdanowicz, Senior Economist, Macroeconomic Policy Division, Economics Department*
10:45-11:00		Coffee break
11:00-12:30	**Item 1**	**Overview of pension sustainability and reform issues (cont'd)**
11.05-11:55 (presentation and Q&A)		*Key features of the OECD work private pensions:* • *Asees Ahuja, Senior Consultant, Financial Affairs Division, Directorate for Financial and Enterprise Affairs*
11.55-12:30		*Wrap-up and key findings of the morning's discussion*
12:30-14:00		Lunch
14:00-15:30	**Item 2**	**Stock taking on pension reforms: experience in Continental Europe**
(15-20mn presentation and Q&A per speaker)		*Case studies and country reports by trade union representatives* • *Renée Anderson (LO-S, Sweden)* • *Lena Orpana (TCO, Sweden)* • *Janne Metsämäki (SAK, Finland)* • *Chris Driessen (FNV, Netherlands)* • *Vit Samek (CMKOS, Czech Republic)*
15:30-15:45		Coffee break
15:45-17:15	**Item 2**	**Stock taking on pension reforms (cont'd): experience in Anglo-American countries**
(15-20mn presentation and Q&A per speaker)		*Case studies and country reports by trade union representatives* • *Nathalie Joncas (CSN, Canada)* • *George Strauss (FEDUSA, South Africa)* • *Tim Sharp (TUC, UK)* • *Shaun O'Brien* (AFL-CIO, USA)*
17:15-17:45	**Item 3**	**Wrap-up**

* via video conferencing

ANNOTATED AGENDA

Item 1: Overview of pension sustainability and reform issues

Following presentations by OECD Secretariat representatives, participants are invited to share views on current challenges to pension sustainability and their implications for future pension reforms.

Three angles are suggested to structure the discussion:
- The overall structure of pension systems;
- The specifics of occupational pension plan design, and
- The macroeconomic context post-crisis, and the long term demographic trends.

<u>Overall structure of pension systems</u>

Post-crisis, pension reforms have first aimed at restoring financial sustainability by cutting down on pension benefits or by extending retirement age. That has left major concerns about the "social sustainability" of pension systems, as the OECD puts in its 2013 edition of Pension at a Glance. Not only will future pension entitlements be lower by status, but full entitlement (full contribution careers) will be harder to achieve as a result of increasing risks for career disruptions (lower employment protection) and job precarity (lower CB quality and coverage). The continuing downward pressure on wages – which does not connect anymore with productivity in many countries – and the increasing imbalances in the distribution of income between labour and capital are eroding the funding basis of many pensions.

Bearing in mind the diversity of systems and population structures across OECD and beyond:
- Is there a need to revisit the balance between first and second pillar?
- Should the funding/ contribution base of pension system be enhancing and/or diversified?
- Can public services and non-pension specific welfare function as "retirement-income enhancers"?

<u>Occupational pension plan design</u>

The spectrum of plan design is broadening. Rather than a black and white distinction "pure" DB and pure (individualised) DCs, a number of occupational pension reforms are heading toward hybrid systems, and toward new risk sharing agreements between pensions stakeholders (employer, worker, retirees, government and industry-wide protection funds).

- What can be done to protect DB schemes? Who should bear the pension risk?
- And how can financial sustainability and social acceptability be reconciled at scheme level?

<u>The macro-economic context</u>

Six years into the crisis, OECD economies are going through a prolonged low-growth and low-inflation. Prominent economist are raising the prospect of permanent "secular stagnation" – the combination of zero-bound interest rates, low growth, weak private and public investment levels and depressed labour markets (hysteresis). On the long term, population ageing is likely to increase pension expenditures further.

- What would be the implications for pension reform of generalised secular stagnation? What can be done to avert or anticipate the impact on pension sustainability?

<u>Indicative reading</u>

Pension reform:

- Pensions at a Glance 2013: Retirement-Income Systems in OECD and G20 Countries[1]
- OECD roadmap for the good design of defined contribution pension plans[2]
- OECD-EC project on saving for retirement and the role of private pensions in retirement readiness[3]

Secular stagnation:

- “Secular Stagnation: Evidence and Implications for Economic Policy”, Rawdanowicz, Bouis, Inaba & Christensen, OECD Economics Department Working Papers, October 2014[4]
- “Secular Stagnation :facts, causes and cures”, ed. Coen Teulings & Richard Baldwin, CEPR 2014[5]

Item 2: Stock taking on pension reforms: country reports

Through presentations and open discussions, participants are invited to report on their respective country-specific experience of pension reforms. Among others, participants will be invited to address:

- Brief overview of the pension system;
- The content of recent pension reforms (benefit / funding side), and changes to pension parameters;
- The impact of other (non-pension) reforms and measures;
- Pension investment-side issues (responsible investment, exposure to alternatives, infrastructure & green growth, tax evasion);
- Political economy of reform, key interest groups at play, advocacy activities, etc.

Item 2 is to be addressed in two consecutive sessions:

- first session covering Continental Europe, including Renée Anderson LO-S (Sweden), Chris Driessen (FNV, Netherlands), Vit Samek (CMKOS, Czech Republic), Janne Metsämäki (SAK, Finland)
- second session covering Anglo-American countries, including presentations by Shaun O’Brien (AFL-CIO, USA) Nathalie Joncas (CSN, Canada), Tim Sharp (TUC, UK) and George Strauss (FEDUSA, South Africa).

Item 3: Wrap-up

The wrap-up session will aim at identifying key findings and messages to be drawn from the meeting’s discussions, as was the case in the two previous TUAC ad hoc meetings on pensions, held respectively in 2009 and 2013.

For memo, previous TUAC pension meetings had the following outcomes / conclusions.

In July 2009[6], the trade union pension experts present at the TUAC meeting suggested a number of “common principles” for trade union action on pension reform. These included:

- collective organisation and mutualisation of pension risks as a generic principle;
- robust PAYG or tax-financed public schemes that have universal coverage;
- collective occupational schemes – be it PAYG or pre-funded – that are cost effective and regulated to protect workers against market and longevity risks;

---

[1] http://www.oecd.org/els/public-pensions/pensionsataglance.htm
[2] http://www.oecd.org/daf/fin/private-pensions/retirementsavingsadequacy.htm
[3] http://www.oecd.org/daf/fin/private-pensions/designingfundedpensionplans.htm
[4] http://www.oecd-ilibrary.org/economics/secular-stagnation-evidence-and-implications-for-economic-policy_5jxvgg6q27vd-en
[5] http://www.voxeu.org/content/secular-stagnation-facts-causes-and-cures
[6] http://www.tuac.org/en/public/e-docs/00/00/05/19/document_news.phtml

- pension governance structures that give workers the right to representation;
- mainstreaming responsible investment policies by integrating environmental, social and governance (ESG) criteria and through portfolio compositions that contribute to rather than weaken global financial stability.

In June 2013[7], trade union participants shared the following conclusions:

- Workers' rights to decent, adequate, predictable and secured retirement income is under attack from short-termist austerity measures. The main threat to pensions however is to be found in the massive rise in unemployment (and in youth unemployment in particular), in the growth of non-standard jobs (and of "mini jobs" across Europe) that are free of any contribution to pension schemes and, beyond the OECD, the prevalence of the informal economy.
- Pension reforms post-crisis have in most cases been designed and implemented without proper consultation and negotiations with trade unions and employer groups (according to an ILO survey report). Securing pension rights requires a collective social contract between and within generations. The best way to achieve that social contract is through negotiations including with representative trade unions and employer groups.
- The pace of pension reforms post-crisis contrasts with slow progress to reform and restructure the banking sector. Yet the persistence of dysfunctionalities in the banking sector lowers the prospect for a return to sustainable economic growth and job creation, which are needed in their own, but also for pension sustainability.
- Life expectancy is increasing. Older workers can play a greater role in the labour market in the future provided that jobs are made available and that adequate working conditions and flexible forms of working organisations exist. But increasing retirement age unilaterally, or adjusting it automatically to life expectancy fuels inequality. Life expectancy in part depends on jobs and working conditions throughout the employment career. In addition, physically demanding jobs simply cannot be fulfilled beyond a certain age.
- Collective schemes that are based on collective bargaining between social partners are inherently superior to individualised schemes. The development of individualised DC schemes as a prime source of occupational pension income must be reversed. DC schemes benefit from and rely on tax incentives that can be very costly for governments and that are regressive in nature. The complexity of the DC schemes during the pay-out phase outweighs any possible benefit. A first step to that end is to bring individual schemes under collective agreements and to mutualise or to increase mutualisation of both investment and longevity risks.
- Defined benefit schemes must be protected. Where reforms cannot be made while preserving the basic design of the plan, negotiations between employer and unions should ensure fair risk sharing and fair risk mitigation.
- The widespread use and growth of government guarantees on banks – both implicit and explicit guarantees –have a mixed impact on the funding level of pre-funded pension schemes. The prolonged period of low interest rates and the quantitative easing are however having a clear adverse impact on investors with long term liabilities, including pension funds.
- While respecting prudential rules and investment diversification principles, there is considerable scope to enhance the long term investment horizon of pre-funding pension schemes so as to ensure workers' pension money help finance job creation and infrastructure.

[7] http://www.tuac.org/en/public/e-docs/00/00/0C/F6/document_news.phtml