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

MEETING REPORT

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Presentations by the OECD Secretariat

During the morning sessions, three presentations were given by the OECD Secretariat representatives and followed by discussions with TUAC participants.

Economic context

Six years after the start of the global economic crisis, pension systems are facing an adverse economic context across OECD economies. Fiscal pressure on public budgets is intense, economic growth is weak, and high unemployment levels prevail in a number of OECD economies. A "secular stagnation" scenario, if realised, would involve a prolonged period of subdued growth, labour market slack, low inflation and close to zero nominal interest rates. The combination of which undermines domestic consumption, discourages investment and, with that, potential output and economic growth. Traditional monetary policy responses and quantitative easing alone are not necessarily sufficient.

For the OECD Secretariat, secular stagnation features are most prominent in the Eurozone, and in Japan where weak growth and deflation appeared long before the crisis. In the USA and the UK, unconventional monetary policy has been more successful in providing stimulus to demand. Across OECD economies, the "worse has been avoided" notwithstanding the severe economic downturn thanks to sustained inflation which prevented an increase in real interest rates. The risk of secular stagnation should be addressed by a comprehensive package involving more monetary and fiscal stimulus and acceleration of structural reforms. Structural reforms to increase investment are particularly beneficial as they boost demand and potential output growth. In Europe and Japan, priority is to make labour markets more flexible and to increase product market competition.

Similarly, the continuation of current accommodative monetary policy will not help pension funds in the short term, because of the adverse effect of the low interest rates on the valuation of their long term liabilities. But here too, for the OECD maintaining interest rates at low levels for "another few years" is a pre-condition for returning to robust long-term growth and higher labour utilisation which might ultimately benefit pension funds' sustainability.

Recent reforms

The pace of pension reforms accelerated post-crisis. About two thirds of OECD countries – including those worst hit by the Eurozone crisis – have taken measures to improve the financial sustainability of their pension systems. Measures have aimed at: less favourable indexation for workers and retirees, longer working lives (via increases in the official retirement age, longer contribution periods, tightening of early-retirement conditions), higher contribution rates for workers, and stronger financial incentives to increase long-term saving. The tax burden has also increased in a number of countries (such as reduction of the maximum amount of tax deductible pension contribution, increased taxation of pension benefits).

Yet, about half of OECD countries have introduced measures to improve the income adequacy of targeted groups (increase in pension benefits, introduction of auto-enrolment and other incentives, development of new schemes). Administrative efficiency of PAYG schemes has been improved in some countries. In Poland and Hungary, individual DC schemes were partly closed and the assets transferred to the public PAYG system.

Impact on pension sustainability and performance

For the OECD, both DB and DC schemes have serious financial sustainability problems. PAYG schemes are hard hit by labour market difficulties (lower contribution inflows than expected) while DC schemes are hit by lower financial returns. While DC schemes have, by definition, no financial sustainability issues, low returns in the long term can lead to lower retirement benefits from these plans. More fundamentally, there are signs of a growing loss of public confidence in private pensions and a general mistrust that public pensions will deliver future promises. On the positive side, however, the employment rate of older workers is on the rise in most countries, improving the sustainability of pension systems.

Looking specifically at the impact of the crisis on pre-funded pension schemes, the situation has evolved differently across the OECD:

- In mature markets (Anglo-American, Nordic, the Netherlands, Switzerland and Japan) that have a long tradition of pre-funded pension schemes, growth spurts in these markets will largely depend on increasing coverage and contributions to these plans.
- In growing markets (Eastern & Southern Europe, Germany, Mexico, Korea and New Zealand) pension fund growth levels have been more stable as a result of active policies to encourage or mandate participation in private pension schemes.
- Undeveloped markets (France, Greece, Luxembourg, Turkey, Belgium and Austria) private pensions are voluntary and the public PAYG DB schemes have a dominant role in total retirement income.
- In Hungary and Portugal, the pension market collapsed (fall in pension fund assets from close to 15% of GDP to 5-8% of GDP) because of a government decision to nationalise the private pension funds in the mandatory schemes.

In the medium and long term, population ageing prospects pose a persistent challenge and might amplify the effects of current post-crisis pension challenges. Furthermore, pension coverage and adequacy might have an important intergenerational dimension in the future. In the aftermath of the crisis, the risk of poverty has indeed shifted from the elderly to the youth. In fact old age poverty decreased relative to youth poverty since 2008. And this trend may strengthen in the future given the major labour market problems faced by youth in many OECD countries and the long-term adequacy effects that would go with it.

The "DC roadmap" of the OECD

For the OECD Secretariat, national pension systems advantageously need to be based on diversified sources of funding, including both PAYG and pre-funded schemes, in order to mitigate risks. Given the sustainability challenges ahead, pre-funding and pension savings need to increase in the long term. The OECD flagship instrument on pension fund regulation is the 2009 Core Principles of Occupational Pension Regulation. Since then, the OECD's work has also focused on the design of DC schemes, given their growing importance in private pension provision. In 2012, the OECD adopted a "roadmap" to improve the design of DC plans, including designing efficient financial incentives to increase participation and contributions to private plans and developing efficient annuity products (to help cope with the longevity risk at retirement).

The DC roadmap brings particular attention to the design of the pay-out phase at retirement. Access to annuatisation is important because individuals have difficulty to assess and manage the longevity risk. At the same time, there should be "some flexibility" for withdrawals for younger retirees to use their pension accounts in different ways. Overall, the OECD Secretariat's preferred option consists in a combination of phased withdrawals followed by annuatisation at the age of 85. On incentives, past OECD work suggests that auto-enrolment and mandatory enrolment are more effective than tax and other financial incentives – and within the latter, targeted subsidies (for certain population groups that are at risk) are more efficient in increasing coverage, than across-the-board tax exemptions.

The OECD Secretariat has no definitive view on the risk-sharing arrangements that distinguish DB versus DC. There are many different types of risk-sharing arrangements between pure DB and pure DC. Ultimately, risk-sharing is a matter of political choices and of negotiations between pension stakeholders.

Trade union stock taking on pension reforms

A number of country reports were given by trade union participants in the afternoon sessions. Brief reports are shown below followed by some key issues that were raised in the course of the conversations.

Country reports

In Finland, tripartite negotiations in 2014 led to an agreement on a reform including a shift from a flexible 63-68y retirement age to 65y and adjusted annually to the changes to life expectancy by cohorts. The agreement was supported by the SAK for being a good compromise in securing pension rights of bother younger and older generations, while ensuring financial sustainability of the pension system.

In Sweden, no broad reform is foreseen in the near future – but a number of targeted measures have been implemented, including tax deductibility of pension contributions from the personal income tax base which has been divided by 6 (capped at €200/y in 2015, compared with €1200 in 2014). There is also some uncertainty about the future financial regulatory regime of pension funds and whether EU Solvency II (insurance prudential regime) or EU IORP II (pension funds) should apply. Whatever the option, it is expected that higher solvency and capital requirements will create complications for pension funds.

In the Czech Republic the government pushed in 2013 for a pension reform without seeking the backing of trade unions. The reform would allow all individuals aged 35 or below to shift part of their pension contributions from the mandatory PAYG scheme to individual DC accounts. However the reform is likely to be suspended by the new government in place following parliamentary elections. Financial regulatory tightening (Solvency II requirements) is also an issue for the pension funds.

In South Africa, the government initially announced in 2012 its intention to introduce a universal social security scheme. However this reform has yet to materialise. More recently, the government changed focus and tabled a number of proposals to improve the current pension fund industry. The South African context is a particularly challenging one: just 50% of the working population is eligible to pay tax and out of the 15m registered workers, less than a third are covered by a pension scheme and only a third of the 2700 pension schemes officially registered are considered to be sufficiently funded and "well managed".

In Spain, the PAYG scheme underwent a parametric reform in 2011 which was approved by trade unions and employers – the "Toledo Agreement". In 2013 however, the government engaged another round of reform, this time on a unilateral basis, which will come with severe losses of purchasing power of pensions. In addition to increasing retirement age to 67, pension benefit levels are to be automatically adjusted to the evolution of life expectancy. Contrary to claims made by the government, the reform will not shield the pension indexation system from political risk – key elements of which will depend on how the government sets future economic growth projections.

In the Netherlands, the pension reform debate is particularly heated. A central question relates to the level of protection for occupational pensions. There is a growing realisation that pure DB and unconditional nominal rights is not within reach any longer, among others because of the tightening of prudential financial regulation in Europe (application of the IORP II and of Solvency II). A "middle road" between pure DB and pure DC would then consist in a new "defined ambition" system. The pension debate also revolves around retirement age and the need to ensure a fairer linkage between the accumulation phase and the pay-out phase. The current retirement period is capped at 20y for all. As life expectancy increases, so does retirement age (if life expectancy is 90y, retirement is at 70y) with little consideration for the length of the contribution period. There is also fierce opposition over the choice of the discount rate (to measure pension liabilities) between "market fundamentalists", for whom only the market can set the rate, and proponents of a politically determined discount rate. On the investment side, the persistent low interest rate environment is also pushing pension funds to excessive exposure to interest rate derivatives products.

In the UK, the occupational pension system is undergoing a radical transformation with two sets of reform measures that are arguably contradictory. On the positive side, the introduction of auto-enrolment will boost pension coverage. Importantly, the reform introduces the principle of mandatory provision of employer contribution. On the negative side, and quite worryingly, the government has abolished mandatory annuatisation of retirement income (under the banner of "freedom and choice") which in effect allows for full withdrawals at retirement. There are attempts within the labour movement to work with the pension fund industry on how to limit the negative implications of the "freedom and choice" reform, including by adding a default annuatisation option, something that the UK government is not too positive about.

In the US no major federal level reform is under consideration, but a lot is happening at State-level. In 49 out of 50 states, there have been cuts in public sector pension benefits, increases in the retirement age, freezes of indexation, and/or increases in employee contribution rates. These reforms are driven by the fiscal situation but they are also politically motivated and connected to broader campaigns to attack public services (and with the financial support of billionaires such as the Koch brothers and John Arnold, a hedge fund manager). On the positive side, more flexibility in funding rules has been introduced for DB schemes. Other non-pension federal reforms will have implications however: the Obamacare reform on affordable healthcare insurance is widely expected to create incentives for workers to go on retirement at 65. Measures regarding same-sex marriage and the presidential decree legalising 5m immigrants should also have a positive impact on pension coverage.

In Canada, there have been major reforms at provincial level aiming at reducing employer costs and obligations in the public and para-public sectors and at transferring pension risks to participants (cuts to acquired benefits, removal of automatic indexation). In the private sector, the trend toward closing DB plans to new participants (orphan clauses), or shifting to DC schemes is continuing.

Dealing with populations at risk

The increase in life expectancy is not benefiting all socioeconomic groups in the same way. In the US, there is huge diversion among racial, income and education groups. In fact, life expectancy has decreased for certain segments of the population in recent years. The level of employment hardship (and its impact on life expectancy) is not necessarily factored in pension reforms. It was so in recent reforms in Finland and in France – but not in the case of the Czech Republic. The gender dimension of pension inadequacy also is also of concern. In Sweden, women are on average paid 80% of men's salaries and are over-represented in part-time work. As a result, the gender difference in the accumulation phase is important. An alarming proportion of Swedish women are unable to support themselves at retirement.

In the Netherlands, the media have made much of the supposedly clash between younger and older generations about the DB versus DC choice (and perhaps with some ulterior motive to put the labour movement in a corner and in contradictions within its own membership). In reality, only a fraction of the youth – the well-educated who have strong career prospects – is vocal about shifting to individualised DC schemes. But the silent or less vocal majority – those with normal income and normal education – remains supportive of collective pension schemes. Rather than a "clash" of generations, it is a classic problem of pension myopia: the youth typically favours individual rights, but as they get older and closer to retirement, they discover the merits of collective schemes and of DB schemes.

The central role of collective bargaining

Collective bargaining plays an obvious and central role in ensuring pension coverage to the population. In both Sweden and in the Netherlands, the universal basic pension safety net offers low benefits (50% of revenues capped at 20000KR in Sweden, 50% of the minimum wage in the Netherlands). Accordingly the prime source of retirement income comes from the occupational schemes which in turn are dependent on CB coverage and/or union affiliation. In Canada and in the US, the erosion of CB coverage has had a direct impact on the coverage and quality of pensions. In the US, just about 48% of private sector workers participate in a pension plan of some kind. And the system is becoming dominated by (DC) 401-k voluntary savings plans. Just 16% of private sector workers are covered by a traditional DB scheme. But two thirds of unionised workers are covered by a traditional DB. The erosion of CB is also a matter of concern for pension coverage in Europe, including as a result of decentralisation of CB (from sector to company-levels) and/or labour reforms aiming at the non-renewal of CB agreements. In Spain, there is in fact a repressive climate against trade union activities.

Employer behaviour is also shifting. In the Netherlands, the trend is for companies to avoid or to limit exposure to pension liabilities by employing self-employed workers not covered by CB. In the US, the rise of the insurance premium that DB pension funds have to pay to the federal pension guarantee fund, is used as an excuse by some employers – including GM, Boeing, and Ford – to terminate their pension plan, to unload their pension liabilities by contracting out to insurance companies, or to push for lump sum payments.

The role of PAYG and of basic pensions

In the Netherlands, the pension debate has come to the point where the entire balance of the system, between occupational pre-funding and PAYG is in question. An extension of the basic PAYG scheme would help address the challenge posed by the growing number of precarious jobs not covered by CB. And it would help reduce the systemic dependence of the country on occupational schemes (which AUM is well above 100% of GDP). However some parts of the labour movement would not necessarily want to trade current contractual risks (of occupational schemes) for increased political risk (of PAYG). A triggering factor could be the on-going discussion on the choice of the discount

rate. If no good compromise can be found, then the extension of the first PAYG pillar will gain further support.

The weakening of PAYG and of state pension systems is of concern in a number of countries. In the UK, there is a continuing erosion in the value of the state pension, including incentives to opt out of its earnings-related elements. The broader political context in the UK is favouring "individual responsibility" to organise retirement provisions with poor results with regard to coverage: in 2006, of the 37.1m adults under the state pension age of 65, 12.4m were not members of an occupational pension scheme. In low-paid sectors such as hotel and restaurant staff, 90% are without a pension.

Auto-enrolment

The introduction of automatic enrolment in the UK (implemented in stages since 2012) was a political compromise between Left and Right. The Right got provision by the private sector (and not the State), the Left obtained extension of pension coverage (+4.7m workers covered so far) as well as the principle of mandatory employer contribution. Too many exclusions apply however – especially for women – and contribution rates are far too low.

In the US context, auto-enrolment where it applies, may make 401k arrangements "less bad". Fundamentally however, auto-enrolment promotes 401-K vis-a-vis superior pension arrangements, including DB plans, but also DC schemes where there is mandatory contribution from the employer.

Annuatisation versus withdrawals

The push for facilitating withdrawals draws on theoretical assumptions about individuals' capacity to make rationale choices in managing long term risks that simply are not verified in practice. The British government decision in March 2013 to abolish mandatory annuatisation, and hence to promote withdrawals undermines what a pension is supposed to be: deferred wages. It suggests that pensions are becoming just another savings account among others. The previous system of annuatisation had flaws – annuities were of poor value and pricing – but it had some merits in offering some form of protection against longevity risk.

The Czech experience also suggests that individuals have serious difficulties to compare pricing of different annuity products. Because of pension myopia, they are inclined to prefer withdrawals and lump sum payments. In the US, traditional DB schemes offering lump sums (with restrictions) is seen increasingly and are in fact quite popular – when made available, people take them overwhelmingly. In South Africa a recent government proposal to ban withdrawals steered opposition, including from within the labour movement.

Investment-side issues

The growth of DC schemes is also creating investment-side problems with regard to (i) cost and transparency of management fees and (ii) the policy agenda on increasing pension fund exposure to (illiquid) infrastructure finance. The substantial cost of management fees in individual DC plans and the fact that some of the cost may not be made transparent upfront, are too often neglected in the pension reform discussions. Hidden costs can seriously impair pension benefits at retirement.

Evidence provided by the OECD shows that pension leaders in infrastructure finance are all collective schemes (Australia, Nordic, Dutch, North America) and many of them are DB schemes. Individualised DC schemes are nowhere to be seen on the pension infrastructure landscape. In the US, as private sector and public sector DB pension funds are shrinking in assets, by comparison to individualised DC schemes, it is likely that less capital will be made available for long term investments such as infrastructure.

Annex I: Annotated agenda of the meeting

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)*[1]
17:15-17:45	**Item 3**	**Wrap-up**

[1] 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[2]
- OECD roadmap for the good design of defined contribution pension plans[3]
- OECD-EC project on saving for retirement and the role of private pensions in retirement readiness[4]

Secular stagnation:

- "Secular Stagnation: Evidence and Implications for Economic Policy", Rawdanowicz, Bouis, Inaba & Christensen, OECD Economics Department Working Papers, October 2014[5]
- "Secular Stagnation :facts, causes and cures", ed. Coen Teulings & Richard Baldwin, CEPR 2014[6]

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[7], 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;

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[2] http://www.oecd.org/els/public-pensions/pensionsataglance.htm
[3] http://www.oecd.org/daf/fin/private-pensions/retirementsavingsadequacy.htm
[4] http://www.oecd.org/daf/fin/private-pensions/designingfundedpensionplans.htm
[5] http://www.oecd-ilibrary.org/economics/secular-stagnation-evidence-and-implications-for-economic-policy_5jxvgg6q27vd-en
[6] http://www.voxeu.org/content/secular-stagnation-facts-causes-and-cures
[7] 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[8], 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.

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

Annex II: List of participants

TUAC affiliates :

- Christophe QUINTARD, Directeur du département économique, FGTB - Fédération Générale du Travail de Belgique
- Nathalie JONCAS, Actuaire, Service des Relations du Travail, CSN – Confédération des syndicats nationaux
- Vit SAMEK, Vice-President, CMKOS – Czech-Moravian Confederation of Trade Unions
- Janne METSÄMÄKI, Director, Collective Bargaining, Legal and Social Affairs, SAK - The Central Organization of Finnish Trade Unions
- Chris DRIESSEN, Policy Adviser, Social and Economic Affairs, FNV - Netherlands Trade Union Confederation
- George Henry STRAUSS, Executive member, FEDUSA - Federation of Unions of South Africa
- Mario Enrique SANCHEZ RICHTER, Economist, CC.OO - Confederacion Sindical de Comisiones Obreras
- Lena ORPANA, Senior Research Officer, Statistician, TCO - Swedish Confederation for Professional Employees
- Tim SHARP, Policy Officer, TUC – Trades Union Congress
- Shaun O'BRIEN, Assistant Policy Director for Health & Retirement, AFL-CIO - American Federation of Labour & Congress of Industrial Organizations

Global Unions:

- David BOYS, Deputy General Secretary, Public Services International

OECD Secretariat:

- Hervé BOULHOL, Senior Economist, Directorate for Employment, Labour and Social Affairs
- Asees AHUJA, Senior Consultant, Directorate for Financial and Enterprise Affairs
- Lukasz RAWDANOWICZ, Senior Economist, Economics Department

TUAC Secretariat:

- Pierre HABBARD, Senior Policy Adviser
- Roland SCHNEIDER, Senior Policy Adviser