

ANNEX 5

Main Features of Pension Systems and Recent Reform Measures in EU's Member States

Country	Main features of pension systems (Pillars 1, 2 and 3)	Recent reform measures
Belgium	<ol style="list-style-type: none"> 1. Earnings-related scheme 2. Voluntary, mainly company-based schemes covering about 31% of the working population 3. Personal pensions available from life insurance companies or banks under favourable tax conditions 	Building on important reforms introduced in 1997 for private sector employees, the new government together with social partners is reflecting upon further reforms to cover for public sector employees and the self employed. Consideration is also being given to promote private funded pensions.
Denmark	<ol style="list-style-type: none"> 1. Flat-rate public scheme based on residency/employment and contribution financed supplementary scheme with benefits linked to duration of employment (ATP) 2. Mainly sector-wide schemes based on collective agreements covering about 80% of the working population 3. Personal pensions available from life insurance companies or pension funds under the same tax conditions that apply to 2nd pillar schemes 	The transformation a largely unfunded system to one with a much higher degree of funding has been underway for some years. 1999 saw a temporary contribution to the ATP (Labour market supplementary pension) amounting to 1% of the average wage made permanent and a tightening up of early retirement rules.
Germany	<ol style="list-style-type: none"> 1. Earnings-related pension scheme 2. Voluntary, mainly company-based schemes 3. Personal pensions available from life insurance companies 	Pension reform was very high on political agenda. A tax reform package was agreed enabling increased revenues from energy taxes to partially offset a reduction in the contribution rate to pensions by employees and employers. Changes were also agreed for 2000/2001 linking increases in public pensions to inflation rather than the evolution of net wages. However, important reforms agreed in 1998 and due to come into force in 1999 were suspended by the new Government for two years, pending important reforms due to be announced in 2000.

Country	Main features of pension systems (Pillars 1, 2 and 3)	Recent reform measures
Greece	<ol style="list-style-type: none"> 1. Earnings-related schemes 2. Voluntary schemes mainly in large companies covering about 5% of the working population 3. Personal pensions available from life insurance companies 	A two phase reform strategy was announced in 1998. The first phase was largely organisational, involving for example the introduction of single social security number. The second phase requires a major overhaul of public pensions, and could involve the consolidation of retirement ages in different pension regimes, adjusting contribution and eligibility rates to sustainable levels, and the introduction of compulsory occupational pension scheme. Announcements on the second phase are still being awaited.
Spain	<ol style="list-style-type: none"> 1. Earnings-related scheme 2. Voluntary, mainly company-based schemes covering about 15% of the working population 3. Personal pensions available from life insurance companies and pension funds 	Important reforms were introduced in 1997 (based on the 1995 Pacto de Toledo) which placed public pensions on a more sustainable footing. Further reforms are scheduled for 2000. They will need to address measures to increase the effective retirement age and discourage early retirement, and special pension regimes (e.g. covering self-employed, agricultural workers). In 2000, minimum pensions will increase by between 5.4 and 16 per cent depending on the type of pension, though on average by only slightly above 5.4 per cent. In 2000 a Social Security fund reserve has been created to address the problem of the ageing population. The initial fund amounts to 0.1% of GDP and there is a commitment in the updated Spanish Stability Programme to further increase this fund reserve.
France	<ol style="list-style-type: none"> 1. Earnings-related schemes 2. Compulsory, pay-as-you-go financed occupational scheme based on cross-sectoral collective agreement, some additional, mainly company-based voluntary schemes 3. Personal pensions available from life insurance companies under favourable tax conditions 	After postponing reforms adopted in 1997, a report was presented in 1999 to serve as a basis for dialogue between authorities and social partners which is now taking place. Reforms are scheduled for 2000 and could include measures to raise the effective retirement age, whether special pension regimes need to be brought in line with the 'general regime', and possible strengthening of a Social Security reserve fund which was established in the 1998 budget.
Ireland	<ol style="list-style-type: none"> 1. Flat-rate scheme based on contributions 2. Voluntary, mainly company-based schemes covering about 50% of the working population 3. Personal pensions available from life insurance companies under similar tax conditions to those that apply to 2nd pillar schemes 	In May 1998, the Government outlined its plans for creating a fully developed pension system. As part of the 1999 budget, an annual provision of 1% of GDP will be made to pre-fund future public pension costs. This fund was supplemented with part of the proceeds from the privatisation of the State telecom company. Part of the proceeds were also use to buy-out the State's future pension liabilities to pre-privatisation staff.

Country	Main features of pension systems (Pillars 1, 2 and 3)	Recent reform measures
Italy	<ol style="list-style-type: none"> 1. Earnings-related scheme 2. Schemes based on collective agreements for a company, a group of companies or an industry 3. Personal pensions available from open pension funds and from life insurance companies under favourable tax conditions 	A series of reforms in the 1990s, the last one in 1997, have contributed to stabilise the ratio of pension expenditure to GDP in the medium term, but it remains high. The main weaknesses of past reforms are excessively long transition periods, 'excessive' generosity, and uncertainty about future reforms. No reforms were undertaken in 1999.
Luxemburg	<ol style="list-style-type: none"> 1. Earnings-related scheme 2. Voluntary, mainly company-based schemes covering about 17% of the working population 3. Personal pensions available from life insurance companies 	Reforms were introduced in 1998 to align the pension regime for new public servants with that applying to the private sector.
Netherland	<ol style="list-style-type: none"> 1. Flat-rate scheme based on residency/employment 2. Mainly sector-wide schemes based on collective agreements covering about 90% of the working population 3. Personal pensions available from life insurance companies under favourable tax condition 	With a large proportion of pensions already funded, the impact of ageing populations is being addressed via the reduction of public debt and measures to increase employment rates.
Austria	<ol style="list-style-type: none"> 1. Earnings-related scheme 2. Voluntary, mainly company-based schemes covering about 11% of the working population 3. Personal pensions available from life insurance companies 	Large reform packages were adopted in 1993 and more recently in 1998. The latter reform addressed incentives for early retirement, tightened up eligibility for disability pensions, and aligned the pension system for civil servants to the general system. Also an annual adjustment formula was introduced making an adjustment for the financial impact of increased life expectancy. This was, however, suspended in 1998 and 1999 and must be addressed in 2000.

Sources: DG MARKT, *Study on pension schemes of the Member States of the European Union, May 2000*, for the column 'main features of pension systems', *Report from the Commission on the implementation of the 1999 Broad Economic Policy Guidelines* (COM(2000) 143 final) for the column 'recent reform measures'.