



UNION EUROPEENNE DE L'ARTISANAT ET DES PETITES ET MOYENNES ENTREPRISES
EUROPÄISCHE UNION DES HANDWERKS UND DER KLEIN- UND MITTELBETRIEBE
EUROPEAN ASSOCIATION OF CRAFT, SMALL AND MEDIUM-SIZED ENTERPRISES
UNIONE EUROPEA DELL' ARTIGIANATO E DELLE PICCOLE E MEDIE IMPRESE

UEAPME position paper on the proposal for a directive on improving the portability of supplementary pension rights

Introduction

UEAPME has carefully assessed the new Commission proposal for a directive on improving the portability of supplementary pension rights. UEAPME generally supports initiatives to increase cross border mobility and therefore considers the Commission's attempt to increase cross-boarder mobility in order to have a more flexible labour market as envisaged in the revised Lisbon strategy as positive.

The growing importance of supplementary pension schemes is a necessity in order to make pension schemes sustainable especially in the light of the demographic change in Europe. Supplementary pension schemes are a specific, often voluntary, management tool, amongst others, for the human resource management in many enterprises. Nonetheless, the objective of this proposal 'to increase the use of supplementary pension schemes' might be seriously jeopardised as the current proposal could have the opposite effect and discourage employers, and particular small companies, from offering voluntary supplementary pension schemes at all.

However, one has to strike a balance between increasing mobility and the return on investment for the employer, who spends time and money on the training of the employee. Traditionally, SMEs have used vesting periods to reward employee loyalty to the enterprise and reduce the risk of losing skills and know-how.

Comments

Supplementary pension schemes take very diverse forms across the EU (e.g. funded by employer only vs. joint contribution, voluntary and obligatory, run by governments or social partners, pay as you go and funded systems). The current situation in each Member State is the result of a fragile balance between many historical, economical, social factors, and there is an important relationship between minimum age, waiting periods and vesting periods, as in many countries they address not only the acquisition of pension rights but also other social factors. Common requirements for acquisition in all the Member States are not realistic, as this would require serious changes in the national systems and could have unexpected negative consequences. UEAPME strongly opposes these aspects of the proposal, as any initiative at European level must respect the principle of subsidiarity.

Therefore UEAPME requests that it must be left up to the national level to decide on the acquisition of pension rights, including vesting periods and minimum age. Moreover, UEAPME believes that fundamental changes of the national systems

currently proposed are neither needed nor justified in order to achieve cross-boarder mobility.

Concerning the transfer of capital, the European Commission ignores the high level of technicalities, in particular the complexity of the transfer and the differences of the actuarial bases and calculation rules in the different Member States (e.g. life expectancy tables, interest rates). This will create a lot of practical problems which are difficult to solve without negative consequences and which make it unrealistic to guarantee that the outgoing worker will never be penalised in the case of transfer of acquired rights. Furthermore, based on the principle of subsidiarity it is left to the Member States to take appropriate measures for fair adjustment, but this should never lead to a (soft) right of indexation.

UEAPME welcomes the principle under article 5.2, where Member States can set a minimum threshold for the preservation of pension rights. Pension rights should only be preserved if the administrative burden is not disproportional to the value.

UEAPME considers it important that workers have the choice between preserving their pension rights in the existing scheme and transferring the corresponding capital value to a new scheme (if the new employer has an occupational pension scheme). Additional consideration should be given to the situation where the new employer or the new Member State does not offer such schemes. Therefore UEAPME supports the need of informing workers on this issue, as only a well-informed worker can make the right choice about transferring its pension rights, however, the companies need information from pension scheme institutions on this issue as well, which has not been mentioned so far. Moreover, providing information to workers should not bring any further administrative burdens for the employer, in particular for SMEs.

Moreover, different parts of the proposal's text need to be clarified as the meaning is very unclear and could be misleading and create legal uncertainties.

UEAPME considers article 8 as superfluous, as the legal basis has been changed from Article 137 to Articles 42 and 94. Therefore, we call for its complete deletion. Concerning the transition periods, UEAPME would like to extend this to article 4 in its entirety, as all of the issues are closely interlinked.

Based on the European Commission's commitment to conduct impact assessment before proposing any new legislation, UEAPME calls for a more detailed business impact assessment analysing the financial and administrative costs for companies, especially for small companies.

UEAPME regrets that this proposal does not address the tax issue which is one of the main obstacles to mobility, and the absence of this aspect will seriously limit the impact of this directive on cross boarder mobility.

Summary

UEAPME supports the European Commission's efforts to increase mobility by facilitating the portability of pension rights across borders.

However, any initiative at European level must respect the principle of subsidiarity. Fundamental changes of the national systems, in particular concerning the acquisition of pension rights, are neither needed, nor justified in order to achieve cross-boarder mobility.

The Commission ignores the technicalities of a cross-border capital transfer. The complexity of this transfer makes it unrealistic that the outgoing worker will never be penalised. The directive should never imply a (soft) right of indexation.

The representative of crafts, small and medium-sized enterprises fears that instead of promoting supplementary pension schemes, which is a sub objective of the Commission, this current proposal of the European Commission would discourage employers, and particular small enterprises, to offer voluntary supplementary pension schemes at all.

The Commission should rather focus on real trans-national obstacles such as tax provisions and reducing administrative burden.

Brussels, 09 February 2006

| | |
|---|--|
|  The logo for UEAPME features the acronym 'UEAPME' in a bold, blue, sans-serif font. To the right of the text is a blue square containing a white map of Europe with five white stars positioned above it, similar to the European Union flag. | <p>UEAPME is the employer's organisation representing the interests of crafts, trades and SMEs from the EU and accession countries at European level.</p> <p>UEAPME has 78 member organisations, which represent crafts and SMEs across the whole of Europe, covering over 11 million enterprises with nearly 50 million employees.</p> <p>UEAPME is a European Social Partner.</p> |
|---|--|