

NATIONAL UPDATES

FRANCE

Different treatment for men and women : particularities of CNRACL

The legal expert commission of EAPSPI has noted that the European Court of Justice, in its judgement dated 30 April 1998, has confirmed that «if national legislation has maintained a different pensionable age for male and female workers, the Member State concerned is entitled to calculate the amount of pension differently depending on the worker's sex»

Although this decision makes it possible to admit discriminations stemming from the national pension legislation, it has recalled the importance of the notion of equal treatment and the necessity to list up all discriminations that exist in our regulations. An inquest has thus been launched on this issue by the secretariat general at the legal expert commission's request. The result should be known by the date of our next meeting in October.

Meanwhile, before having a global overview of the situation in our countries, CNRACL

(Pension scheme for local government agents) has begun to make a presentation of the cases of discrimination between men and women.

Contrary to other schemes, the main discriminations do not concern the normal retirement age for which differences are only based on the nature of the various jobs.

A FIRST DISCRIMINATION IN FAVOUR OF WOMEN CONCERNS THE DISPENSATIONS FROM THE NORMAL PENSIONABLE AGE

A female agent who fulfils one of the following conditions:

- To have three children alive or raised during at least 9 years,
 - To have one handicapped child with a disability rate of at least 80 %,
 - To have a disabled husband (incapable of carrying out any occupational activity),
- can be entitled to a pension with no age

EDITORIAL

After eight months of silence, here comes Club-infos' successor. During these past eight months, we have had no link which could keep us informed about the evolution of our institutions, about the reforms undertaken in our respective countries, no news either about the provisions drafted by the Commission.

After having decided on a new name last March, the Board of the association has been informed that a new British magazine whose first publication was issued in April 1998 used a similar name. Board members were consulted again in order to find another name which would not present the risk of being already used. The second reason for which no newsletter was published last April is due to the insufficient number of articles sent by the association members. « Euro Pension Bulletin » is our newsletter, it is not only the secretariat's, it is therefore desirable that the information it circulates be the image of our diversity as well as of our similarities. So once more, « take your pen » in order to make this bulletin the image of our dynamism.

Jon Aldecoa, indeed, did not lack dynamism. After having actively participated in the creation and the development of ELKARKIDETZA, he has just left this institution to take on a new task. As one of the founder members of the European Club, he was among its most enthusiastic supporters. He leaves the association, but we do hope he will keep in touch with us.

This issue provides us not only with information concerning our own countries, but also - for the first time - information concerning developments in non-European countries. Articles from our contacts in countries outside the European Union will be welcome, as they will enrich the new column called « non-European updates ». As you can see, our newsletter has been reorganised for a better presentation of the articles. Articles are now classified under various items.

I do hope you will enjoy reading your newsletter. Don't hesitate to let us know about your remarks, proposals...

Thierry CHRISTOPHOUL

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Newsbriefs

Explanatory notes and linguistic precisions

In certain articles, notions peculiar to a country or to a specific scheme can be found. The author of the article is not always aware of these nuances which are often revealed when the text is being translated or when it is read by a colleague from another country. Thus, in certain cases, it seems necessary to insert explanatory notes which give a precision about the meaning of a word in the specific context in which it has been written. That is the case of the article from Ireland where it has seemed worth giving precision on the meaning of « officers appointed to a permanent position » since, in this country they are not « civil servant », this denomination being used only for State agents. In the same article, we have also considered worth adding an explanation regarding co-ordinated and unco-ordinated systems, since for non Irish readers, this notion may not be clear.

Thanks to Eammon Kennedy for this « linguistic co-operation » !

In the future, explanation notes will be more numerous in order to facilitate comprehension. Notions which require precisions could be integrated in the glossary set up by the linguistic working group

condition whenever she has completed 15 years of service.

However, male agents who fulfil the same conditions cannot be entitled to the same advantages. This provision, introduced by a policy in favour of birth rate improvement, is all the more favourable since no rule prevents the beneficiary from overlapping this pension with an income provided by an occupational activity carried out in the private sector. Actually, the « young female pensioner » can even take on an activity in the public sector as a contract employee as long as her salary is not higher than Fr 5,526.

Consequently, a mother of three can get a pension before the age of 40 if she has started her career before the age of 25. She can then take on another job, whereas in the same conditions, male employees cannot benefit from the same measures.

In the case of a deferred entitlement (i.e. when the agent has left the scheme after 15 years of service), the female agent can get a pension with no age condition if she has a third child or if she becomes disabled so that she would not have been able to carry out her previous job. Under the same conditions, the male agent must wait until the age of 60.

It also has to be pointed out that even though female agents can get a dispensation regarding pensionable age, their pension is likely to be raised up to a guaranteed minimum calculated as follows:

Salary corresponding to index 169, i.e. Fr 5,526 x (4 % x number of pensionable years). That means that for 15 years of service, the pension of women who benefit from an age dispensation cannot be lower than Fr 3,978 (i.e. Euro 612).

Finally if we take into account women's life expectancy and these possibilities to anticipate the entitlement, the women concerned by such dispensations may receive their pension for a very long period.

DISCRIMINATION REGARDING SURVIVOR BENEFITS AND CHILDREN RIGHTS

Widows of CNRACL agents can be immediately entitled to a survivor benefit with

no condition of age, whereas widowers can only qualify for the same benefit at the age of 60, except if they are disabled.

In addition, as long as the deceased female member has one child entitled to a child main pension (for example in the case of a disabled child), the widower will not be granted any survivor pension even if he has reached the age of 60.

In short, for widows, the surviving spouse pension has priority over the child main pension, whereas in the case of widowers, the child main pension has priority. Therefore, a child has not got the same rights whether the deceased parent is male or female.

SUPPLEMENTARY PENSIONABLE YEARS FOR WOMEN HAVING HAD CHILDREN

Regarding pension calculation, it must be noted that women are granted a supplementary reckonable year for each child they have had.

DIFFERENCE OF TREATMENT REGARDING GRADUAL CESSATION OF ACTIVITY

The gradual cessation of activity makes it possible to work half time and to be paid 80 % of the full-time salary. To benefit from this system, agents must not be entitled to an immediate pension right, except mothers of three who can opt for this system although they can also apply for their pension.

THE ENHANCEMENT FOR HAVING RAISED CHILDREN IS NOT DISCRIMINATORY

The enhancement granted to agents who have raised at least 3 children is applied to men and women indifferently. The children must have been raised during at least 9 years until the age of 16. This measure provides a 10 % enhancement for three children plus an additional 5 % per each supplementary child, provided that the pension does not exceed the final salary.

Claude Dubois

BELGIUM

Charter of the social insured person

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Over the last few years, several laws have been adopted in order to give wider guarantees to citizens concerning their relations with the Administration. The law dated 11 April 1995 which aimed at introducing the « Charter » of the social insured person is the most recent of a series of laws in this field.

The « Charter » of the social insured person can be considered as the final step regarding the citizen's legal security in the social field.

This article gives an overview of the main obligations resulting from the Charter of the social insured person for institutions, which manage the public sector pensions (called hereinafter « pension institutions »).

OBLIGATION TO INFORM THE SOCIAL INSURED PERSON

Obligation to provide the social insured person with relevant information

For each written request, pension institutions must provide the social insured person with the relevant information concerning his/her rights and obligations. These institutions must spontaneously give to the social insured every additional piece of information, which is necessary for the study of their applications or the preservation of their rights. This type of information is free and must be provided within 45 days.

Pension institutions must also establish a written document, which mentions the duties and obligations of the social insured person regarding the legislation applied by the institution. This document is sent for free to any social insured person who requires it.

Obligation to advise

When required the pension institutions must advise the social insured about their rights and obligations.

Obligation to pass on all requests to the competent institution

If a request for information is sent to an institution which is not competent to answer it, this institution must:

- pass on the request to the competent institution ;
- inform the person who has formulated the request.

Obligation to use a clear language

Pension institutions, while dealing with the social insured person, must use a language, which is easily understood by the public.

Obligation to communicate all justified decisions

Any decision concerning public sector pensions must be justified and transmitted to the social insured person.

EXAMINATION OF PENSION REQUESTS

Automatic award of a pension

Before the coming into force of the Charter, a public sector pension could only be granted if a request had been previously made. From now on, in accordance with the Charter, pensions must be automatically granted each time it is actually possible. Given the present technical means, there is only one case in which a pension can be awarded automatically: the award of a survivor

Newsbriefs

Jon Aldecoa leaves ELKARKIDETZA

Jon has informed us that he was leaving ELKARKIDETZA. During the next months, he will be working as an economy consultant for the Basque federation and the Spanish confederation of social insurance institutions. He will also work for Mutual provident societies of Spanish air companies staff. As the correspondent of the EAPSPI, he will be replaced by Juan Oregui. We wish him good luck in his new post and we do hope we will keep in touch with him since his new job is also related with social protection.

pension when the deceased spouse was pensioner from the same pension institution. In other situations, the technical facilities, even if they existed, would be in most cases useless to grant a pension automatically, given that the date at which the pension is awarded is most of the time chosen by the pensioner (for example, between the age of 60 and 65).

As it is not necessary for survivors to claim for the survivor benefit, it is not necessary either to claim for the funeral grant. Of course an application will have to be made for the pension but it will stand as a request for the funeral grant.

Examination of a pension request

If a pension request is sent to an institution, which is not competent for examining it, this institution must pass it on to the competent institution and inform the person concerned of this operation.

If the request has been sent to a public pension institution, which is not competent, the date of its registration by the first public institution remains valid for the entitlement of the social insured person concerned. However, the period during which the competent public institution must make a decision starts only since the date at which this competent institution has registered the application transmitted by the wrong public pension institution.

If the request has been sent to an institution, which is not competent for pensions, only the date at which it is actually registered by the competent institution is taken into account both for the entitlement and to determine the deadline by which the decision will have to be made.

DEADLINE FOR DECISION AND PAYMENT

Deadlines

Pension institutions must make a decision within 4 months after the reception of the application or the occurrence of the fact

leading to an automatic examination.

The payment of the pension must occur at the latest within 4 months after the notification of the entitlement, but naturally as early as possible after the date at which the payment conditions are fulfilled.

Penalties

If the above mentioned deadlines are not respected, interests must be automatically paid to the social insured person.

The Charter also involves the possibility to claim for a compensation payable by the social insured person. From now on, institutions are allowed to claim for interests if benefits have been wrongfully paid whenever the payment of these benefits is due to a fraud intended by the social insured person.

Jean-Pierre DELVILLE

PORTUGAL

Pensions for Firemen

The last issue of « Club-Infos » gave an overview of the pensions for firemen in several European countries. « Euro Pension Bulletin » furthers this study with the presentation of firemen's pensions in Portugal where one can find the same kind of advantages that have previously been mentioned.

In Portugal, firemen fall into various categories: professional firemen (those who are assimilated to the Army and the municipal ones), voluntary firemen or private firemen.

All professional firemen are covered by the

Newsbriefs

The Irish Department of Finance interested in the EAPSPI

The secretariat has received with great pleasure a letter by which the Department of Finance applies for membership as an observer in our association. M. Michael Murphy, who is in charge of the pension section of this Department, will be invited at the conference in Munich, where we will have the pleasure to welcome him

pension scheme of CGA (Caixa Geral de Aposentações)

Among voluntary firemen:

- those who also have a civil servant position are covered by the CGA,
- those who also have a job in the private sector are covered by the general scheme of social security,
- those who, during the fire activity, have had no other occupation are covered by the voluntary pension scheme.

Concerning private firemen, those who belong to public entities are covered by the CGA, those who belong to private entities are covered by the general scheme of social security.

PARTICULAR CONDITIONS

Professional firemen have special bonuses included in their remuneration. These bonuses are taken into account for the

calculation of the reference salary on which is based the pension calculation.

All firemen of all categories are granted additional time corresponding to 25 % of the actual service time done in the fire service. These additional periods are given in months both for disability pensions and old age pensions.

However, the pension cannot exceed the legal maximum (i.e. 80 % of the reference salary for the general scheme and 100 % of the last salary for the CGA).

AGE LIMITS

Age limits range from 50 for the lowest grades up to 60 for the highest grades.

Times bonuses as well as the anticipated retirement age are common features for the CGA and the general scheme of social security.

Armando GUEDES

Newsbriefs

European regulations

In June, the Council of Ministers of the European Union approved the proposal of the Commission on the extension of the scope of Regulation 1408/71 to special schemes - Council Regulation (EC) No 1606/98 of 29 June 1998 amending Regulation (EEC) No 1408/71 on the application of social security schemes to employed persons, to self-employed persons and to members of their families moving within the Community and Regulation (EEC) No 574/72 laying down the procedure for implementing Regulation (EEC) No 1408/71 with a view to extending them to cover special schemes for civil servants. The proposal of the Commission concerning preservation of supplementary pension rights has also been approved (Council Directive 98/49/EC of 29 June 1998 on safeguarding the supplementary pension rights of employed and self-employed persons moving within the Community). Concerning Directive 98/49/EC, the questions concerning fiscal problems have been avoided. According to announcements of EC Commissioner Mario Monti, Commission is likely to present a proposal for a directive concerning fiscal regulations in the supplementary pensions field this autumn.

PORTUGAL

special conditions for disability due to AIDS

On 16 July 1998 more favourable conditions were given to members affected by AIDS in order to facilitate their entitlement to disability pensions.

The Decree Law n° 216/98 considering the specificity of this disease reduced the qualifying period. It also determined a more favourable reference salary and a higher value of the reckonable year (these terms cover both the civil service's social protection and the general scheme of social security).

QUALIFYING PERIOD

The qualifying period for disability due to AIDS has been reduced down to 3 years (instead of 5 for all the other members).

CALCULATION OF THE DISABILITY PENSION

The calculation method makes the difference between two categories of members according to the scheme that covers them:

- employees affiliated before 1 September 1993

1 - In Ireland, the word « civil servant » applies only to officers working for the government. Local governments employ officers who may be « appointed » to a permanent or a temporary position.

2 - « renewable » : the decision if a contract is « renewable » is taken by the local employer only.

3 - Officers appointed as of April 1995 as well as non officers are under a co-ordinated system, they contribute both to the basic state scheme and to the LGSS. The contribution to the LGSS is two-fold : 1.5 % for the retirement lump sum, 3.5 % for the pension.

In the co-ordinated system the first contribution (1.5 %) is applied to the whole salary whereas the second one (3.5 %) is applied to a salary reduced by twice the amount of the basic state pension (pensionable salary = salary - twice the basic state pension).

At retirement age, employees depending on the co-ordinated system receive a lump sum and two pensions : one from the basic state scheme, one from the LGSS.

The supplementary pension is calculated according to a pensionable salary which again is reduced by twice the amount of the basic legal pension.

Officers appointed before 1995 are under an unco-ordinated system. They contribute only to the LGSS. Their global contribution applies to the whole salary and amounts to 5 % (1.5 % for the lump sum + 3.5 % for the pension).

At retirement they receive a lump sum and a pension only from the LGSS. The pensionable salary on which the pension is calculated is not reduced like in the co-ordinated system.

E-Irlande, cadres temp - 4/1

are under the CGA pension scheme (Caixa Geral de Aposentações)

- employees affiliated after 1 September 1993 are under the general scheme of social security

Affiliated before 1 September 1993

Pensioners affected by AIDS will be given supplementary pensionable years up to 50 % of the actual years of service, provided that the total number of years does not exceed 36 years. There is no payment of extra contributions for the additional years.

The reference salary remains unchanged since for this category of employees, the calculation is based on the final salary.

Affiliated after 1 September 1993

The value of the pensionable year amounts to 3 % of the reference salary (instead of 2%). The total amount of the pension can neither be lower than 30 % of the salary nor higher than 80 %.

The salary taken into account is based on the three more favourable years considered among the last 15 years recorded (whereas in other cases the reference salary is calculated according to the 10 most favourable years among the last 15 recorded).

Vasco COSTA

IRELAND
Pensionability of the temporary
wholetime officers¹

Following discussions between management and staff representatives during 1997, it was agreed that temporary wholetime officers employed by local authorities could join the Local Government Superannuation Scheme. This was in line with the policy which had been adopted in relation to contract staff in the public service generally.

With effect from 1 January, 1998, all officer grade staff appointed to a temporary wholetime position in a local authority must, where their contracts of employment are potentially renewable², join the Local Government Superannuation Scheme. This is a major change in the scheme as previously only officer grade staff appointed to permanent positions in local authorities could become pensionable under the Scheme. All temporary staff employed by local authorities are fully insured under the State Social Welfare Code and accordingly their

superannuation contributions and benefits are fully co-ordinated (integrated)³.

Admission to the Scheme is compulsory for all temporary wholetime officers appointed on or after 1 January, 1998, or already serving on 1 January, 1998, except in the case of persons who are contributing to a personal pension plan (Revenue Law prohibits persons holding a personal pension plan while a member of an occupational pension scheme). These persons have an option not to join the scheme but they must provide their employers with documentary evidence of the existence of their alternative pension arrangements. Temporary wholetime staff who become members of the Scheme are subject to the same superannuation provisions that apply to permanent pensionable staff who are fully insured.

Eammon KENNEDY

UK

Police pensions review and fire service pensions review



The UK government has recently consulted widely on proposals to change the pay-as-you-go pension schemes, which apply to the police and fire services.

POLICE

The arrangements, which are set out in secondary legislation, date from 1921.

The main benefits are:

- maximum pension of 2/3 final pay after 30 years of service payable at any time after 30 years of service. Pension entitlement accrues at 1/60 of pensionable pay for each year of service up to 20 years and at 2/60 for the next 10 years. Accrued benefits can also be paid on retirement from age 50 with 25 years service, or from age 55 with less than 25 years of service;
- up to 1/4 of a pension may be given up in exchange for a lump sum;
- an ill-health pension with enhancement determined by length of service paid to officers retired on medical grounds. Payment is with immediate effect;
- an injury award, consisting of a lump sum and a pension paid when a retirement results from injury on duty;
- a death-in-service lump sum;
- a widow/widower's pension, and allowances for dependent children;
- facilities to purchase «added years» and provide additional benefits through Additional Voluntary Contribution (AVC) arrangements;
- preservation arrangements for early leavers and rights to transfer accrued benefits to a new employer's scheme, or to a personal pension scheme.

Pensions for those aged 55 and over are increased each April by the same percentage as the annual increase in the Retail Prices Index to the previous September. The increase applies immediately whatever the age to medical retirement pensions and survivors benefits. Preserved pensions and lump sums are also increased to maintain their value to the date they become payable.

Early retirements are high; 45% of all retirements are on grounds of ill-health. It is over 70% in the worst case police authorities.

The scheme is expensive to run. The value of benefits is 32% of pensionable pay. It costs between 17% and 18% of pensionable pay to run. It is expensive relative to the private sector. Retirement age at 55 (or 50 with 25 years service) is lower than the public sector norm at 60/65.

The review found considerable increases in the costs of running the scheme in recent years. Since 1990/91 costs have increased by 90% (£390m).

To address these points the review proposes :

- changes to Scheme benefits for new entrants only designed to reduce costs;
- changes to the rules governing ill-health retirements for all scheme members to reduce costs;
- changes to clarify and tighten criteria for injury awards;
- new employees' contribution rates to be reduced from 11% to 8%;
- NRA to be 55/60;
- other benefit changes.,

Newsbriefs

European Court of Justice

In April, the Court decided that Sweden's system for taxing life assurance schemes that were bought abroad broke EU single market law (Jessica Safir, C-118/96, judgement of the court dated 28 April 1998). The Court ruled that in the perspective of a single market and in order to enable its objectives to be attained, Article 59 of the Treaty likewise precludes the application of any national legislation which has the effect of making the provision of services between Member States more difficult than the provision of services exclusively within one Member State.

Changing the scheme to a funded basis is seen as unlikely. The local authority employers would like to see this implemented but the Treasury sees the cost implications as high, particularly in the short term. The cost would be about £25 billion.

Final proposals are likely to emerge later this year.

FIRE

The concern with fire service pensions is with increasing costs, which continue to take more and more resources away from total budgets so that front line services are adversely affected.

The scheme, in its present form, dates from 1948. It is a pay-as-you-go scheme set out in regulations made by the Home Secretary.

The main benefits are :

- maximum pension of 2/3 final pay after 30 years of service payable from age 50. Pension entitlement accrues at 1/60 of pensionable pay for each year of service up to 20 years and at 2/60 for each year thereafter up to a maximum of 40/60. Accrued benefits can also be paid on retirement from age 50 with 25 years service or from 55 with less than 25 years service;
- to 1/4 of a pension may be given up in exchange for a lump sum;
- an ill-health pension with enhancement determined by length of service paid to fire fighters retired on medical grounds. Payment is with immediate effect;
- an injury award, consisting of a lump sum and a pension paid when a retirement results from injury on duty;
- a death-in-service lump sum;
- a widow/widower's pension, and allowances for dependent children;
- facilities to purchase «added years»; and
- preservation arrangements for early leavers and rights to transfer accrued benefits to a new employer's scheme, or to a personal pension scheme.

Pensions for those aged 55 and over are increased each April by the same percentage as the annual increase in the Retail Prices Index to the previous September.

Early retirements are high as a proportion of normal retirements. In 1996/97, 72% of retirements were on grounds of ill-health or injury at work. Most fire fighters retire before 55 years of age.

As in the police review, this one proposes changes to retirement age, early retirement options, ill-health definitions, surviving spouse's pensions, and injury allowance rules. Similarly, the review canvasses changes, which will produce savings on the basis that new entrants would have lesser benefits but at a lower cost to them.

The cost of setting up a funded scheme for the fire service is put at £3 billion. Again, this is likely to be too high a price.

Final proposals are likely to emerge later this year.

For both reviews, local government would like to see greater consideration given to the points for and against future funding.


 Terry Crossley
 Local Government Pensions Division

Events

Members and observers in Bilbao

On 6 April, a seminar was held in Bilbao on the occasion of the opening of ELKARKIDETZA to contract agents. It gave us the opportunity to present our pension schemes to Basque participants and to insist on the major place to be played by supplementary pension schemes in the pension coverage.

EUROPEAN UPDATES

GREEN PAPER

Report on the session held on 21 April 1998

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On 21 April 1998, after an introduction by John Mogg, Director General of the DG XV, responsible for the internal market and financial services, David DEACON together with the DG V in charge of social affairs conducted the meeting presenting the results of the consultation about the Green Paper on "Supplementary Pensions in the Single Market".

76 answers had been given including 11 introduced by Member States.

Representatives from the institutions and the governments, which had answered the consultation, were attending the meeting.

The debate prepared on the basis of a summary document covering all the answers tackled the following issues:

- Economic and demographic context
- Prudent man rules
- Safety control over pension funds and life insurance companies
- Portability of supplementary pension rights
- Taxation

1. DEMOGRAPHIC AND ECONOMIC CONTEXT

The Commission underlined the consequences of the population ageing, which will result in an increase of about 4 points of the part covered by pensions in the GNP by the year 2030 (part that will reach 14 %). This demographic evolution along with economic problems and particularly the employment situation, will jeopardise the financial balance of pay-as-you-go pension schemes.

Pension expenses will go on increasing in a context of tough competition due to the introduction of the Euro. The solution of financing pensions on the budget will be limited, so that funding methods will have to

be developed. Financial markets will have to support pensions by providing additional resources. It is admitted that pension funds, as well as pay-as-you-go schemes draw from their present resources, but that their specific task is to contribute to support growth by financing the development of production means.

The market of companies' equities and bonds will be extended, although these markets will also have to deal with the consequences of ageing.

In this context the European Commission will further its action in favour of the three fundamental liberties mentioned in the Treaty of Rome: free movement for persons, capitals and products. In the pension field, this means respecting freedom for settlement, freedom for investment, freedom for benefits and ensuring free movement of labour.

2. THE "PRUDENT MAN RULE" - THE NOTION OF "PRUDENT MAN"

The financial management of funded supplementary pension schemes cannot be limited to a search for a maximum return. It must be done according to a «prudent man rule».

The debate tried to determine what was concretely the meaning of the prudent man principle. No established list of rules was given. However, the debate underlined several rules regarded as relevant for a prudent man management.

Thus the management must take into account the specificity of pension funds. They are collective occupational supplementary schemes included in the second pillar. Their purpose is to provide a replacement income mainly paid as a life annuity. They involve obligations in terms of means and results. On a long period,

Events

Seminar in Angers

On 17 June 1998, the administration Board of IRCANTEC (supplementary pension institution for non civil servant agents of state and local authorities - France) invited German, Dutch and Spanish representatives to give a presentation of their pension system in the framework of an information seminar. It seemed interesting to have the opportunity to learn about other systems, other « pension philosophies » and to observe the evolutions and the reforms undertaken in other countries. Indeed, the reflection about pension problems must not overlook the observation of the solutions implemented beyond national frontiers. In addition, it is good to learn what is happening in other European countries in order to be able to assess one's own pension schemes.

Agenda

Linguistic working group

As Klaus Stürmer (AKA - Germany) presently works with the Caisse des Dépôts et Consignations (CDC) in Bordeaux and Brian Town happened to be in France in August, the linguistic working group took the opportunity to meet on 18th and 19th of August in Bordeaux in order to study equivalence of words in the three official languages of our association. A good example for the difficulties we have to face here can be found in the article «Ireland - pensionability of the temporary wholetime officers» in this issue of EPB. The working group will probably propose a first list of definitions on the occasion of the conference in Munich.

¹ A copy of this directive has been sent by the secretariat to all subscribers of the association.

saving plans negotiated within an occupational framework make it possible to accumulate a retirement lump sum, and also contribute to provide replacement incomes.

These systems may be defined benefit or defined contribution schemes. They generate liabilities. The nature of these liabilities determines the management of the assets.

Rules regulating the asset management must not be restrictive. They must be consumerist safeguards set up for the future pensioners' safety. The external management of contributions, the need for distribution rules, the 5 % limitation for investments in bonds issued by the supporting company are principles which are usually admitted. However things go differently regarding monetary congruence restrictions or the geographical distribution of investments.

The experience shows that the establishment of prudential rules does not prevent certain schemes from going bankrupt. Several participants have suggested the creation of a system guaranteeing payments when such situations arise.

3. PRUDENTIAL CONTROL OVER PENSION FUNDS AND LIFE INSURANCE COMPANIES

The differences between second and third pillar's products are widely recognised and they justify that different rules may be applied. Consequently rules applying to group insurance contracts set up within a professional framework cannot be the same as those which apply to open groups involved in the third pillar and offering individual savings products. These rules and particularly solvency requirements must not be discriminatory and they must be flexible enough to take into account the variety of the European actors and their different historical backgrounds. Actually, pension operations should be more controlled than the operators.

The general principle should be equality of treatment for similar products. The prudential rules include a major technical component. For example, they concern the assessment of liabilities and the way financial results affect either the employees or the pensioners. These rules should also include requirements in the

information field. The fulfilment of prudential rules as well as the follow up of the financial management must also be submitted to supervision carried out by an independent authority, which must be competent both in insurance matters and financial management.

The affiliated (employees and pensioners) must be given the possibility to play a key role in the control of pension funds. In fact the part of pension covered by the second pillar stands as a deferred salary, which justifies the intervention of the social partners (both for the creation of the schemes and the control of their management). Independent experts can also carry out the control.

4. PORTABILITY OF SUPPLEMENTARY PENSION RIGHTS

As the impossibility to transfer accrued rights has a negative effect on workers' free movement, it is considered as important to remove all obstacles which result from the different qualifying periods, the different accrual of pension rights and the difference in benefits.

The creation of a forum on pensions could have a major importance. It could be useful to look for an agreement between actuaries about a method for assessing pension rights. This is the trend followed by the directive on «safeguarding the supplementary pension rights of employed and self-employed persons moving within the European Union».

The directive is based on the principle of equality of treatment and recognition of accrued rights, on the possibility to go on contributing to the supplementary scheme of the member State of origin on behalf of a posted worker working for a short period in another member State.

The directive was adopted by the Council in June.

The Commission admits that the scope of the Directive is rather limited.

5. TAXATION

Differences of taxation between member States are rather significant. However taxation matters are under the exclusive competence

of each State. The most usual system is taxation in the host country during the period of payment, fiscal transparency during the accrual period and deductibility of contributions.

6. CONCLUSION

The Commission wonders what is the best method to further its action. Relying on the introduction of the Euro or the judgements of

the European Court does not seem to be sufficient.

The creation of a Pension Forum could facilitate the consideration of problems which often are not under Brussels' competence.

The reluctant position of member States suggests that a proposal for a Directive is not likely to be adopted before at least 1999.

_____ Bernard COCHEMÉ

OUTSIDE EUROPE

Options systems

New needs for flexibility

The future of pension schemes depends on their capacity to adapt to the new social environment and the new structure of the family. On the one hand, it is important to give the employees the opportunity to choose their retirement age according to financial and personal obligations, needs and health conditions. This is particularly significant in the new provisions set up by ABP (Club-infos n°10). On the other hand, it is also important in a context of equality of treatment to give an opportunity during retirement to make up for the imbalance stemming from different income levels within the same family.

Different levels of pensions between men and women

In France, considering all pension schemes together, men's pensions are twice higher than women's pensions. This statistical statement becomes more dramatically significant if we consider that the woman is usually the last survivor in the household (her life expectancy is higher than the man's is, and she is generally

younger than her husband is). She consequently has to bear the entire household financial burden alone, with a pension, which is frequently lower than her husband's is. Of course, this disparity may be compensated with private insurance policies. Prudent couples probably take the necessary measures. However, it can be regarded as a responsibility of pension schemes to take into account these facts and to try to find an answer to such situations.

Indeed, differences between men's and women's pensions will not disappear in the years to come. Although jobs may be equally shared, part-time schedules and parent leaves are usually more frequent in women's career. In this field, the generations to come will have the same problem as our present pensioners.

Options

It is a way to choose the distribution of the pension amount between the member and the option beneficiary, who is mostly the spouse. For STRS¹ (Californian scheme for teachers), this choice has to be made when applying for

Agenda

Legal expert working groups and commission

Our two working groups (one concerning special scheme, the other concerning supplementary schemes) will meet in Munich on 6 October. The legal expert commission will meet the following day on 7 October.

¹ STRS : State Teachers' Retirement System (California)

Agenda

Board meeting

The Boards members will meet in Munich on 7 October in order to propose the association's priorities for 1999.

the pension, and the decision cannot be changed except in the case of divorce or remarriage.

For each option, the pension levels are determined according to actuarial factors related to the age of the member and of the option beneficiary.

STRS offers 7 possible options. Each option provides for three pension levels

- The pension of the member while the option beneficiary is alive, hereby called. initial pension - of course the amount of the initial pension differs according to chosen options
- An adjusted amount of the pension in the case the option beneficiary dies (surviving member's pension)
- A survivor benefit in case the member dies.

The main options are the followings (in order

to simplify, the option beneficiary will be called «spouse»):

- Maximum initial pension for the member - no survivor benefit
- Equal pensions for the member whether the spouse is alive or deceased - same amount for the survivor benefit
- Equal levels whether the spouse is alive or deceased - survivor benefit reduced to 50 %
- Both survivor pension and surviving member pension equal to 2/3 of the initial pension
- Both survivor pension and surviving member pension equal to half the initial pension
- Same level for the initial pension and survivor benefit - higher surviving member's pension
- Survivor benefit amounting to half the initial pension - surviving member's pension higher than the initial pension.

Example:

Initial full pension (called unmodified allowance): \$ 2,000

Member's date of birth (female): 1 - 1 - 1938

Option beneficiary's date of birth: 1 - 1 - 1933

OPTIONS	INITIAL PENSION	SURVIVOR BENEFIT	SURVIVING MEMBER PENSION
1	\$ 2 000	\$ 0	\$ 2 000
2	\$ 1 788	\$ 1 788	\$ 1 788
3	\$ 1 912	\$ 956	\$ 1 912
4	\$ 1 942	\$ 1 295	\$ 1 295
5	\$ 2 060	\$ 1 030	\$ 1 030
6	\$ 1 752	\$ 1 752	\$ 2 000
7	\$ 1 896	\$ 948	\$ 2 000

Such systems allow household to avoid abrupt variations of incomes when one of the spouses dies, especially when there is a big difference between the respective incomes. However, traditional systems generally calculate the survivor benefit on the basis of 50 or 60 % of the member's pension.

Claude DUBOIS

ZOOM

Equal treatment and equal pension rights for married members and single members

According to the various countries, the notion of equal treatment concerns men and women, national workers and migrant workers, married couples and partners. However certain schemes are also concerned by equality of rights between married members and single members.

An equal treatment of the latter group would generate an inequality of rights regarding pensions. In fact, it is necessary to choose between the notion of equality of treatment (same calculation method) and the notion of equality of rights (single person rights = married person rights + survivor rights). If we consider that married agents will have both a personal pension and possibly a survivor pension for their survivors, the global amount of the benefits they get (including the survivors'

ones) will, in theory, be higher than the pension of single persons.

Consequently to maintain equivalent rights between both categories, it would be necessary to set up a compensation system in favour of single persons and therefore to calculate their pension on a more favourable basis. This reflection has been developed by STRS - State Teachers' Retirement System -, through the option system (see article in this newsletter) and in the Netherlands where ABP is also considering this question, which could result in integrating a notional survivor pension in the old age pension of single persons or persons who choose to give up their survivor rights.

Claude DUBOIS

MANAGEMENT - INSTITUTIONS

GERMANY

AKA - since June 1998 one association

In this year's annual meeting, taking place from 16 to 18 June in Münster (Germany), the association of civil pension schemes for civil servants and the association of supplementary pension schemes, which already worked in co-operation (see Club-Infos Nr.5, page 4, April 1996), now merged into a unique association. This association will from now on be called «AKA» (Association of Public Sector Pension Institutions). The association includes 48 institutions (28 regional institutions for supplementary pension schemes and 20 institutions in the civil pension schemes for civil servants sector). It provides service for nearly 41,000 members (employers from local governments and churches in the whole country) and about 4.5 million workers, employees and civil

servants. In 1996, the benefits amounted to DM 7.9 billion (EURO 4 billion) which were paid to more than 800,000 beneficiaries.

Mr. Geza von Pusk's (Munich), this year's president of the EAPSPI and former spokesman of both associations, has been elected chairman of the unique association. Deputy chairman is Mr. Armin Schmitt (Karlsruhe), Director of the civil pension scheme of Baden-Württemberg.

The AKA wants to be recognised as expert in the field of public sector pensions. It aims at focussing the members' activity, because the future evolution of pensions both in a national context and at an European level will affect all member institutions in the same way.

Klaus STÜRMER

Agenda

General Assembly

It will be held on 9 October in Munich. It will give the opportunity to propose to all gathered members the new applications for membership.

MANAGEMENT - HUMAN RESOURCES

The KAROLUS-program and its possibilities

One of the purposes of our association is to develop exchanges of executives among institutions in order to improve the reciprocal knowledge of the institutions and that of the social organisation of their respective countries and take part in the construction of a social Europe.

The KAROLUS-program of the European Community is a program of training and exchange, which aims at supporting the co-operation and the exchange of ideas between the administrations of the member States. The program is meant for civil servants and employees in the public sector dealing with European legislation. One of the aspects of this legislation is the free movement of persons. In its «Green Paper on supplementary pensions in the Single Market», the Commission considers the question of the removing of obstacles to cross-border mobility in Europe and the preservation of acquired rights in supplementary pension schemes. The schemes are invited to take part in this development. It is necessary to realise that the pension schemes in Europe have to deepen their co-operation to avoid obstacles to free movement, for example in the field of pension rights. Thus, the staff of public sector pension schemes working in the Administration has the possibility to take part in the KAROLUS-program.

The program includes a four-day introduction seminar for the participants, an exchange with a comparable administration in another Member State and a two-day assessment seminar. The participant is obliged to have an excellent knowledge of the host country's language. For certain countries, however, exceptions are possible. After the exchange, a report must be submitted to the European Institute of Public Administration (EIPA, see address below). The costs of the exchange are

- according to the rules of the program - covered by the Commission up to 50%. The program runs until the end of 1999.

Participants have to consider that the application of the program's rules is very strict. First of all, an application to participate has to be handed over to the Commission via the national co-ordinator (this address is communicated by the EIPA). The Commission will decide in a first step if a participation in the program is possible. If the Commission agrees, the participant is obliged to take part in the introduction seminar. Only after that, the exchange will be confirmed and will take place. There is only a limited number of seminars each year and the seminars only take place if there are enough participants. Therefore, the participant (or his/her administration) should mention the longest possible period during which he/she can take part in the program. In addition, a concrete schedule for the exchange has to be presented by the host country's administration. Given all these requirements, the participant should be prepared to wait for a certain period of time until the final decision is made.

One should point out that administrative bodies in the public pensions sector are entitled to participate in the possibilities offered by the KAROLUS program. In the context of the development of a social Europe, a more deepened co-operation between pension schemes is a prerequisite for a social Europe in which citizens can make use of their rights, especially the right of free movement. It is in our interest to encourage this development. Last but not least, such an exchange can create a better understanding between the institutions involved in it.

Klaus STÜRMER

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