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Press release

Romania should stay the course – funded private pensions the key to sustainable future

After the Romanian government has decided to cut the contributions to pillar II to 3.75% (instead of raising to 6% from the actual 5.1% as mentioned in the draft bill), people in Romania are now facing a significant risk of suffering a decrease in their future retirement income.

All of Europe is facing an ageing population due to a combination of increased life expectancy and declining fertility rates. As dependency ratios shift with growing elderly populations, governments will be faced with falling consumption and growing pressure on social services. Overall, the demographic old age ratio (people over 65 per 100 people aged 15-64) in the EU is expected to increase from 27.8 to 50.1 by 2050, meaning that there will only be two working age people for every person over the age of 65 . This is also in Romania the outlook, where life expectancy is projected to grow rapidly from 71.2 years in 2013 to 80 in 2050. That year, the elderly population (65 and over) will represent almost 30% of the total Romanian population. This will pose major challenges to intergenerational fairness, unless appropriate policy measures are taken to counterbalance some of these effects.

Europe cannot only rely on public pensions and more funded private pension savings are needed so that people may receive adequate and sustainable pensions. This is a clear long-term policy of the EU and it requires that the member states do not deviate from it for any short-term political reasons. Experience from the best European pension countries shows how important funded private pensions that cover most people with adequate savings levels are as part of a good pension policy. Evidence from Romania already now proves how vital these pensions are and will be in the future for good pensions outcomes and the need to develop and improve funded private pensions even further. The real investment returns of the Romanian pension funds have been among the best in Europe.

Pension funds play an important part in economic growth and financial markets and it is important to support the pension funds as one of the important bases for developing capital markets in Romania. Pension funds as institutional investors are natural long-term investors, patient capital that is necessary for the growth of Romanian economy and thus improving employment. A well functioning vibrant economic development is also vital for the social security pensions and all other social security benefits.

Janwillem Bouma, the Chair of PensionsEurope said:

„Funded pension are vital for future pensions as public pension come increasingly under pressure. Romania has been able to build excellent private pensions and should not start to dismantle them by lowering the level of contributions."

Matti Leppälä, the Secretary General of PensionsEurope emphasised that

„Good pension reforms are based on in-depth analysis and long-term goals on adequacy and sustainability. The private pensions of Romania fulfil these goals and it is of utmost importance to continue with the long-term policy. Instead of decreasing the contributions, the government should increase them in accordance with the long-term plans. This would increase the citizens trust in the whole pension system, which is vital for any long-term policy."

About PensionsEurope

PensionsEurope represents national associations of pension funds and similar institutions for workplace pensions. Some members operate purely individual pension schemes. PensionsEurope Members are large institutional investors representing the **buy-side** on the financial markets.

PensionsEurope has **24 member associations** in 19 EU Member States and 3 other European countries with significant – in size and relevance – workplace pension systems[1].

PensionsEurope member organisations cover different types of workplace pensions for over **110 million people.** Through its Member Associations PensionsEurope represents more than € **4 trillion of assets** managed for future pension payments. In addition, many members of PensionsEurope also cover personal pensions, which are connected with an employment relation.

PensionsEurope also has **25 Corporate and Supporter Members** which are various service providers and stakeholders that work with IORPs.

PensionsEurope has established a **Central & Eastern European Countries Forum (CEEC Forum)** to discuss issues common to pension systems in that region.

PensionsEurope has established a **Multinational Advisory Group (MAG)** which delivers advice on pension issues to PensionsEurope. It provides a collective voice and information sharing for the expertise and opinions of multinationals.

What PensionsEurope stands for

- A regulatory environment encouraging workplace pension membership;
- Ensure that more and more Europeans can benefit from an adequate income in retirement;
- Policies which will enable sufficient contributions and good returns;

Workplace pensions offer

- Economies of scale in governance, administration and asset management;
- Risk pooling and often intergenerational risk-sharing;
- Often "not-for-profit" and some/all of the costs are borne by the employer;
- Members of workplace pension schemes often benefit from a contribution paid by the employer;

[1] EU Member States: Austria, Belgium, Bulgaria, Croatia, Estonia, Finland, France, Germany, Hungary, Ireland, Italy, Lithuania, Luxembourg, Netherlands, Portugal, Romania, Spain, Sweden, UK. Non-EU Member States: Iceland, Norway, Switzerland.

- Wide-scale coverage due to mandatory participation, sector-wide participation based on collective agreements and soft-compulsion elements such as auto-enrolment;
- Good governance and alignment of interest due to participation of the main stakeholders.

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