



45th congress of ASÍ ASÍ priorities 2022 – 2024

Pension

ASÍ priorities

- Social security and the pension funds should, together, be the foundation of the pension system in Iceland. Their interplay must be efficient and fair, as must the cuts and means-testing, so that workers enjoy indisputable benefits from having paid into a pension fund, and so that everyone can enjoy a dignified basic pension.
- The retirement age must develop along with the change in the average lifespan, to ensure sustainability and generational equity. The system's flexibility and predictability are important for workers. Large and rapid changes to the retirement age should be avoided.
- People's lifespan varies, depending on their job and educational attainment. It is important for the pension system to reflect this and adapt to different jobs and their varying difficulty. The working years of people won't all be equal.
- The pension system is a very important income insurance for workers who suffer disability. The state must contribute financially to ensure an equal disability burden across pension funds.
- Pension funds should maintain a responsible and ethical ownership and investment policy with respect to the rights of workers, generational sustainability and environmental protection.

ASÍ tasks

- ASÍ shall monitor the interplay of the income insurance systems and make credible and fair proposals on how to ensure an acceptable basic pension and protect the interests of workers relating to their pension payments.
- ASÍ shall make sure that the adaptation of pension funds to changing lifespans is fair and systematic.
- The concept *hard labour* be defined, with ASÍ pushing for the pension system to adopt it and find remedies for groups which have a hard time extending their working lives.
- ASÍ shall call on the public sector to acknowledge its responsibility in equalizing the disability burden on pension funds. A report on varying disability rates in different professions should be made and its conclusions should become a factor in a fairer and better income insurance system.
- ASÍ shall make sure that the pension funds' ownership and investment policies are upheld. It should also collect and spread information on how capital owners can encourage a healthier economy.

Report

On means-testing and the interplay of pension funds and social security

The social security system uses means-testing to a significant extent. There's no broad agreement on how much pension fund payments should reduce people's claim to social security. It is the view of ASÍ that the current system uses cuts too widely, given that the pension system isn't fully developed yet. The lion's share of people who are getting pensions are, due to the development of the system and/or inflation, some ways away from getting 76% of their average monthly wage when they were working, and yet their social security income is being cut. ASÍ believes it necessary to get a broader base of support for the interplay of these systems.

On the lifespan and the pension funds' sustainability

Those pension funds which aren't guaranteed by the government need to be sustainable when it comes to their liabilities and the development of the average lifespan. A tension or disagreement between the generations, due to imbalances in funds' incomes and outlays, must be avoided. ASÍ urges the pension funds to operate a responsible policy on this and ensure sustainability by reacting when needed. It is especially important for all changes to payments and entitlements to be done in accord with the fund members. Care must be taken to share information and to ensure that the effects of such changes be ameliorated as much as possible with an adaptation period and so on.

On different working life lengths and the definition of hard labour

An individual who has worked a hard job most of their life may be expected to have a harder time extending their working life. The lifespan of people differs according to the job they work and education they attain; people with only elementary schooling live on average briefer lives than secondary school and university graduates. In other countries (e.g. Denmark), programmes have been established for people working hard jobs when the retirement age has been raised, e.g. by social security schemes (förtidspension). This is also being discussed in the EU. In Iceland, a university graduate at 30 has 55 years unlive, but a person without secondary or university education just over 51.

On the different disability burden of pension funds

A different disability burden can reduce the capacity of some pension funds to fulfil their obligations in the field of old-age pensions. The disability burden can thus create an imbalance within the pension system and lead to cuts having to be implemented in individual funds. The expected lifespan of people unable to work, however, is shorter than the average, so that compensates in part for the disability burden on the pension fund. Along the 2005 collective agreements, the government agreed to equalize this uneven burden on the funds by an equalizing contribution to the funds most affected. The payments have neither been

systematic nor maintained their real value in recent years and there have been indications that they'll be dropped. ASÍ sees it as a matter of justice that these burdens be equalized and urges the government to accept its responsibility.

On the ownership and investment policies of the pension funds

All pension funds within the ASÍ negotiation remit, at least, have in recent years become more pronounced in socially responsible ownership and investment policies. So-called ESG (environmental, social, governance) guidelines are, in this respect, the mainstay. Discussion about green investments has been extensive in recent months and years. The discourse on the social responsibility of pension funds as investors has no beginning or end, it is an organic discussion that ASÍ believes needs to be maintained. The pension funds must be careful not to become “passive capital” which risk-seeking and irresponsible investors can drag into shady operations and investment. ASÍ urges the pension funds not to drop their guard and make ambitious goals and policies. These issues can strengthen and activate the connection of pension funds with their representative councils, and it is the view of ASÍ that that is an appropriate platform for developing these issues.