

DEVELOPING SUPPLEMENTARY PENSIONS AND LONG TERM RETAIL INVESTMENT



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Moving towards a more participant-centric occupational pension system

Introduction

Across Europe, demographic change and geopolitical uncertainty collide with barriers to cross-border capital and investment flows, as highlighted in the Savings and Investment Union initiative. Together, these trends underline the urgency of building deeper and better-integrated financial markets that preserve prosperity and remain resilient in an increasingly uncertain world. European supplementary pensions play an important role in this respect. Not only by supporting long-term European growth, but by sustaining the social foundations that make our market economies work.

This raises the question of how occupational pension systems can deliver long-term value for participants. Insights from established occupational pension systems provide useful guidance. But as the Netherlands moves

towards DC-based arrangements, where participants bear more responsibility and risk, governance must put the participant at the centre of financial, operational and behavioural decision-making. Supervision must constantly reinforce this focus.

What established pension systems teach us

Experiences from pension systems show elements that build resilient systems. Auto-enrolment or mandatory membership ensures early saving and access to long-term collective investment. Collective investing pools risks, creates scale and enables broader diversification, stabilising outcomes and supporting long-term sustainability. Low costs achieved through economies of scale prevent contributions from being eroded by high fees and support adequate pension outcomes.

Maintaining trust and social legitimacy requires strong governance and independence. Pension funds must operate at arm's length from both sponsoring undertakings and the state, with governance structures that ensure collective investment decisions are taken solely in participants' interests. Trust is hard won and easily lost, and is sustained through transparency: clear, timely information that doesn't over-promise and enables participants to form realistic expectations about their pension.

Strengthening governance and supervision through a participant focus

In DC arrangements, more decisions and risks shift directly to participants. This makes participant-centric governance and supervision more important than ever. Participants must be the top priority in the boardroom, with decisions guided by what truly serves their interests rather than mere compliance. Boards should not risk losing participants' trust by overlooking the impact of their choices on real individuals. Therefore, they should assess the impact of choices on different participants and ensure that implications are clearly substantiated and explained. This requires the right expertise at the table, from actuarial specialists to communications experts, so that decisions reflect an understanding of the outcomes for individuals rather than averages, and impact is assessed through concrete scenarios rather than long-term abstractions.

Similarly, supervisors should place the participant at the heart of their work, protecting their interests and driving behavioural change needed to keep them central. Accordingly, the AFM's strategy for the transition to DC arrangements rests on three pillars:

1. **Suitable pension products** that are understandable and demonstrably match participants' characteristics, needs and risk preferences.
2. **Information that enables realistic expectations**, allowing participants to understand risks and take appropriate action when needed.
3. **Adequate guidance and sound choice architecture** recognising the influence of defaults, framing and complexity.

The Commission's Pension Package

The proposed revision of IORP II introduces improvements such as strengthened fit-and-proper requirements, enhanced transparency and a duty of care. These are important steps to ensure providers consistently act in participants' interests.

However, participants would benefit from embedding participant-centric thinking more explicitly in the framework. Greater emphasis on the suitability of pension products through a structured product development and review process focused on participants' characteristics, needs and preferences, would help achieve this.

Conclusion

Long-term value can be achieved when pension systems are governed and supervised from the participant's perspective. When boards put participants at the centre of decision-making and supervisors reinforce this focus, trust deepens, engagement grows and collective outcomes improve. By strengthening financial security and providing stable long-term capital, pension systems also contribute to the ambitions of the Savings and Investment Union. A more participant-centric pension system is therefore not an ambition, but a precondition for resilient, fair and future-proof pension systems across Europe.



FAUSTO PARENTE

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Bridging gaps: how to turn European demographic risk into financial resilience

Europe stands at a demographic crossroads. With the population ageing rapidly, statutory pension systems are under strain, demanding stronger supplementary retirement solutions. Eurostat data projects that by 2070, over 30% of the EU population will be 65 or older, while the working-age population (15–64) is shrinking.

Yet, despite these pressures, long-term retirement planning remains underdeveloped. EIOPA data shows only 19% of EU consumers hold a personal pension product and only 21% have occupational schemes¹.

Barriers extend beyond demographics: behavioural and structural issues in supplementary pensions further hinder progress. Scale should help pension funds (IORPs) reduce their operational costs, enhance their negotiating power and access to market opportunities, ultimately delivering better results for members. The Pan-European Personal Pension Product (PEPP) would gain greater traction and scale if certain barriers were removed, such as its rigid

1% fee cap and complex advisory rules, which have so far stifled supply. Trust is another hurdle: 42% of consumers do not trust pension funds to ensure good outcomes, with 40% feeling the same about insurers².

The European Commission's 2025 legislative package, reflecting EIOPA's technical input, tackles these issues by focusing on scale, value, and trust:

- **IORP II: Scale and Diversification.** The proposal fosters economies of scale and asset diversification. The current fragmentation of IORPs limits funds' ability to invest in illiquid, long-term assets. The proposal aims to emphasize the "Prudent Person Rule", aiming so as to facilitate access to alternative investments and encourage cross-border consolidation – for better net outcomes, not just minimizing costs.
- **IORP II: Governance and supervision.** To foster trust, the proposal establishes more rigorous governance and supervision as essential pre-requisites for granting IORPs greater investment autonomy to deliver better outcomes to members and beneficiaries.
- **Revamped PEPP.** To boost demand and stimulate supply, the rigid 1% cap is replaced by a supervisory Value for Money framework, assessing cost-and-performance at registration. It also removes mandatory advice for the Basic PEPP to simplify access and lower costs, and drops features seen as over-engineered (e.g.: the two sub-account setup). To help the market reach scale, employer contributions are allowed. However, key gaps remain: the proposal leans on a default lifecycle strategy rather than incentivising value-for-money guarantees, and the supervisory/registration set-up still looks complex and fragmented for a genuinely pan-European product. That matters, because strong supervision and demonstrable value are the key to rebuild trust.

This legislative package is well-complemented by two parallel key initiatives. The Retail Investment Strategy (RIS) provides for clear "Value for Money" standards for Insurance-Based Investment Products (IBIPs), ensuring consumers face a consistent, high-quality landscape of products whether they choose a pension like the PEPP or an IBIPs. In parallel, EIOPA's work on Pension Tracking Systems (PTS) has been taken up in a European Commission Recommendation. This empowers consumers providing the essential "digital interface" to visualize savings and turning abstract financial concepts into concrete visuals consumers

can use to measure where they stand on their financial goals and objectives. To truly boost consumer trust, these two initiatives are grounded in the following behavioural design principles:

- **Designing for Trust and Simplicity.** Complexity deters engagement. EIOPA's technical advice on PTS emphasizes a "layered" approach to information. A PTS should not overwhelm the user; instead, the "landing page" must display only critical high-level data—specifically the projected retirement income and the retirement date. This simplicity reduces cognitive load. Furthermore, to bridge the "Trust Gap," EIOPA advises that PTS governance must be non-commercial. Systems run by public-private partnerships or independent bodies ensure that the platform is viewed as a neutral tool for planning, not a sales channel for providers.

Structural reforms and behavioural insights to drive trust in the EU long-term savings market.

- **Value for Money as a Trust Builder.** The shift to a Value for Money framework addresses consumer scepticism toward providers. The new framework, if well applied, aims to prove to consumers that their savings are working efficiently. When citizens trust that long-term returns justify fees, trust is rebuilt and long-term investment is encouraged.

In sum, the current initiatives mark a mature evolution of EU pension policy. By moving away from restrictive guarantees and focusing on scale, digital simplicity, and behavioural defaults, the EU aims to strengthen trust and demographic resilience.

1. EIOPA- Eurobarometer 2025: consumer trends in insurance and pension services.
2. EIOPA- Eurobarometer 2025: consumer trends in insurance and pension services.



JOHANNA DEMANDER

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The drivers behind Sweden's occupational pension success

The Savings and Investment Union (SIU) aims to mobilise direct and indirect household savings to increase their potential return and, similarly, provide more funding for firms and businesses. A crucial component in this effort is to extend occupational pension schemes across Europe. Sweden already applies this model successfully, with return-oriented long-term investment strategies. As of end-2024, Sweden's occupational pension assets total about EUR 400 bn (roughly 75% of GDP). Equity investments and other non-fixed-income assets have steadily grown and now represent around 60% of portfolios, underscoring the strong link between occupational pensions and long-term investment needs.

Occupational pension is closely tied to the Swedish labour market framework, where salaries and other conditions are negotiated through collective agreements between trade unions and employers' organisations. Through this model around 90 per cent of Swedish employees are automatically enrolled in occupational pension schemes – with another 5 per cent covered via

individual employer arrangements. Due to the negotiations between unions and employers without government intervention, they gain direct legitimacy. Additionally, the governance is further enforced by social partners being jointly responsible for running specialised mutual principles institutions (such as AMF and Alecta) which manage the assets accumulated in the system. The occupational pension system is also supported by favourable tax treatment for both employers and employees.

Another crucial element in the Swedish system has been a general shift toward defined contribution (DC) pension schemes. This shift aligns naturally with Sweden's strong and mature equity market. Combined with global portfolio diversification, it allows well-functioning capital markets to more effectively absorb long-term pension savings and thereby enhance the growth potential available to DC investors. An important element in building trust in the system and for long-term returns has been a continual downward pressure on fees and commissions ensuring that investors retain a larger share of their gains and strengthening confidence in the overall investment ecosystem. Finally, a transparent pension tracking system is vital because it ensures that individuals have clear, reliable access to information about their retirement savings.

The proposed revisions to IORP II aim to sharpen supervision to focus on costs and returns, introducing a more risk based prudential principle, increased transparency regarding underperforming institutions, and improve pension tracking. These proposals are broadly aligned with the Swedish priorities and the way in which our model has evolved—particularly the emphasis on improving investment in equities, strengthening governance and facilitating pension dashboards and tracking systems.

However, some proposals are somewhat in conflict with the Swedish example where large, mature occupational pension institutions are thriving. IORPs that are too small to diversify adequately, motivate stronger supervisory standards and potential consolidation. Sweden, by contrast, already has highly consolidated, large-scale schemes with sophisticated governance frameworks. Additionally, the success of the Swedish model is largely the result of entrusting the social partners with responsibility for negotiating and maintaining occupational pension schemes. Enforcing new and excessive rules for occupational pension institutions can be counterproductive and harm systems

which already excel. It is critical for us that these concerns are addressed in the negotiations in Brussels.

Several elements of the Swedish model are transferable: scale and consolidation, which enable lower costs and professional investment management; and transparent pension tracking systems, which are also recommended by the Commission. Another important lesson has been the broader shift toward DC pension schemes, which involve higher risk but also offer the potential for higher returns.

Swedish model links occupational pensions to long-term investment with significant equity exposure.

Other elements, however, depend heavily on Sweden's unique institutional and social context and are therefore more difficult to replicate. These include the high density of collective bargaining and the strong trust between employer and employee organisations, which are the result of long-standing social partner structures. Moreover, and important for the return on investment is the cultural acceptance of high equity exposure and long term funded savings, which enjoys broad support in Sweden but may encounter political or cultural resistance elsewhere. And Sweden's governance model, which relies on mutual principles institutions with responsible owners and decades of accumulated credibility cannot easily be recreated through legislation. Finally, it is important to recognise that a well-developed capital market infrastructure takes time to build. Sweden's experience shows that this is a journey of gradual, incremental reforms—one that any jurisdiction can replicate.



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From experience to efficiency: strong pensions for Europe's investment needs

Europe faces an urgent need for long-term investments to secure future growth and prosperity. Pensions have the potential to help meet this challenge by providing long-term capital for productive investment and can be achieved in a responsible and efficient manner if supported politically by building strong pension systems together with the right regulatory framework.

Enabling Pensions to Support future Growth and Prosperity

We all know the political backdrop, and the conclusion is clear: Europe urgently needs to mobilise investment in its economy. In this, pensions could have the potential to take a leading role due to their long-term nature. By actively channeling individuals' pension savings into productive investments, balanced regulation and well-designed pension systems can support both citizens' financial security and broader economic growth across Europe.

To make pensions a real driver of investment, we find that it is essential to focus on what is the right regulatory framework. Removing barriers – through, for example, adjustments to PEPP and updates to IORP under due consideration of striking the right balance between supporting Europe's investment needs and the protection of the pension savers – is important. However, experience shows that such legislative initiatives alone are not enough. Building substantial pension assets requires both balanced regulation and well-designed pension systems that support widespread participation in pension savings.

Building on Experience for Stronger Pension Systems

There is much to gain by learning from each other's pension experiences across Europe. By sharing knowledge and building on what works, we can strengthen our pension systems to benefit both citizens and the wider economy. Structural reforms shall focus on making European businesses even more competitive and can be adapted to fit local labor markets, savings cultures, and regulatory environments.

As highlighted by the Draghi report, Denmark together with Netherlands and Sweden have demonstrated the effectiveness of auto-enrollment in increasing participation in pension savings and building long-term capital. In Denmark, auto-enrollment for occupational pension schemes is widespread because of collective bargaining, not because of legislation.

**Strong pension systems
and balanced regulation
are key to meeting
Europe's long-term
investment need.**

Experiences show that by automatically enrolling individuals in pension schemes, participation rates rise significantly, also among groups who might otherwise not save for retirement. This approach helps overcome behavioral barriers and ensures that more citizens benefit from pension savings. As such, auto-enrollment can strengthen individual welfare in retirement and thereby create a more stable financial foundation for both citizens and the economy. At the same time, auto-enrollment increases the pool of capital available for productive investment also to the benefit of both citizens and the economy.

In light of these positive experiences, the Commission has also recommended that Member States consider auto-enrollment as a tool to strengthen pension systems.

Balanced Regulation to Support Strong Pension Systems

Beside building well-designed pensions systems that support participation in pension savings we find that it is essential to avoid unnecessary regulatory complexity and ensure simple, clear rules that strike the right balance between supporting Europe's investment needs and the protection of the pension savers by maintaining a well-functioning supervisory environment.

We share that a strong focus on simplification is essential for effective regulation. The Council conclusions adopted at the end of last year operationalise this by setting out concrete measures to ensure clear rules, as well as thorough impact assessments. In particular, the conclusions highlight the importance of systematically analysing the practical consequences of new initiatives before implementation. This includes assessing potential effects on citizens, businesses, and the wider economy to ensure that regulation delivers real benefits. Experience with PEPP has shown the importance of such analyses as PEPP despite its good intention has struggled to gain traction. The EU should focus with this in mind on establishing conducive conditions for increasing long-term investment. We find that keeping regulations simple and balanced in respect of ensuring the protection of the pension saver, paves the way for a pension landscape that delivers real benefits for citizens, businesses, and the wider economy, by supporting the channeling of savings into long-term, productive investment across Europe.

To sum up...

Strong pension systems that supports participation in pension savings and the building of long-term capital, together with a regulatory framework that strikes the right balance between supporting Europe's investment needs and the protection of the pension savers, are key for pensions to support Europe's future investment need.



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Funded pensions must anchor the Savings and Investment Union

In today's environment of global competition and demographic change, the Savings and Investment Union (SIU) project is both an economic necessity and a strategic imperative for Europe. In sharing our perspective on retirement policy, we draw on Vanguard's five decades of experience serving millions of investors and retirement savers across international markets.

As demographic shifts place growing pressure on public budgets, the essential policy goal must be to grow Europe's stock of funded retirement assets, which stand at one-third of EU GDP. Thus, the EU's principal challenge is asset accumulation. By contrast, in North America, Australia and the UK – where retirement assets exceed 90% of GDP – there is more focus on decumulation: using accumulated assets to deliver sustainable retirement income.

Achieving progress requires genuine political partnership. Decisions on national pension systems lie with Member States, while the Commission plays a critical role in building consensus around good system design and fostering long-term investment into the EU economy.

Pillar 2: Occupational pensions and auto-enrolment

In most major retirement systems, the bulk of assets are invested through workplace pensions. This is where the EU has the greatest scope for catch-up. Funded workplace pensions remain modest in most Member States, with assets below 20% of GDP in the 'Big 5': France, Germany, Italy, Poland and Spain. Taking another measure, in 2024 institutions for occupational retirement provision (IORPs) managed €2.7 trillion in total, with 59% of those assets located in the Netherlands.

Drawing on global experience, particularly from the US 401(k) system, we see four keys for successful workplace pensions systems: (1) broad and persistent population coverage; (2) an effective contribution strategy; and (3) strong incentives to save; and (4) easy access to high-quality, low-cost default investment solutions.

On contribution strategy, there is broad consensus that a sustainable 'steady-state' contribution rate is at least 10% of annual earnings. Australia's Superannuation Guarantee has already set employer contributions at 12%. Yet, while working towards long-term adequacy, systems must also be responsive to the short-term liquidity pressures which many lower-income workers face.

On incentives to save, there is consensus that tax advantages provide a powerful boost to auto-enrolment saving. The effectiveness of auto-enrolment also depends heavily on investment performance. Here, research by Better Finance highlights the need to improve long-term returns, showing that on average EU auto-enrolment schemes barely kept pace with inflation over the past decade. This underscores the need for strong scheme governance and value-for-money standards.

Drawing on our
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Pillar 3: Personal pensions

Personal pensions are a vital complement to workplace schemes and an essential alternative for the self-employed and workers in less formal employment. While the role of Pillar 3 depends on its place in the broader pension system, the

keys to good design are broadly similar across pillars 2 and 3: wide market coverage; attractive tax incentives; and high-quality, low-cost investment options (e.g. default products using life-cycle strategies).

Momentum is building across the EU. France's PER Individuel scheme has been notably successful, with more than four million policyholders. In Germany, the Merz government is demonstrating strong commitment to capital markets through the development of the *Altvorsorgedepot*, a substantial improvement for German households compared with the current insurance-based system.

In parallel, the launch of tax-incentivised Savings and Investment Accounts (SIAs) aligned with the Commission's blueprint will provide a vital impetus for long-term retail investment. Schemes such as Sweden's ISK and the UK's ISA are highly successful and attract broad participation. Poland will shortly launch an SIA and several other Member States are actively developing policy.

The system-wide perspective

Supplementary pensions must anchor retirement systems in Europe and hence we urge EU policymakers to adopt the Commission's SIU recommendations. Pre-funded public (pillar 1) schemes can also underpin long-term sustainability. To illustrate: of the top 10 ranked systems in the Mercer CFA Institute Global Pension Index, seven have significant pre-funded assets in pillar 1.

We understand policymakers' drive to direct a greater share of retirement assets into the European economy, particularly through long-term equity investment. This general trend carries real risks for diversification and investor protection but proposed revisions to the Prudent Person Principle in the EU IORP Directive aim to strike a sensible balance.

As supplementary pension systems expand across Europe, retirement income will become a major policy issue. The Netherlands' current transition from defined-benefit to a collective defined-contribution system is a milestone in managing longevity risk at scale.



SIMON JANIN

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Developing private pensions is crucial for both savers and Europe's economy

More than 18 months after the publication of the Draghi report, the diagnosis remains the same: Europe needs huge additional amounts of investments, up to €800 bn per year, to boost its competitiveness and reinforce its strategic autonomy. But how can that massive pool of resources be found in times of budgetary constraints for most European Member States?

Part of the answer lies in the capacity of the EU to mobilise its citizens' savings – notably the €11.5 tn held in cash or low-risk liquid assets¹, such as government bonds – and to redirect them towards financing the real economy. To that end, one key challenge is to increase the proportion of savings that are invested in projects with long-term horizons.

As regards retirement savings, which are by nature more long-term, most European countries do not have private investment systems equivalent to US 401k one. Actually, when comparing the ratio of pension assets to GDP between the US and the EU, the gap is significant: 173% for the former, and 32% for the latter. For the EU to reach the same ratio as the US, it would require an additional €27.5 tn in retirement assets², a large part of which could be invested in the real economy and long-term projects. This notably explains why long-term capital

is lagging behind at 184% of the EU's GDP, when it amounts to almost 500% of GDP in the US³.

Multiple reasons account for this difference between both sides of the Atlantic, and notably the fact that national retirement systems vary significantly from one country to another in Europe. For instance, the second and third pension pillars are more developed in Sweden, Denmark and the Netherlands, these three countries accounting for 62% of the EU's pension assets. Furthermore, each Member State has its own tax system and incentives, some of them being largely oriented towards shorter time horizons or low-risk assets.

Given that retirement investments substantially finance the real economy by overweighting risky and long-term assets, Europe would clearly benefit from them. Future retirees would also benefit from better pension prospects in countries where the durability of public pension systems is compromised by an ageing population and strained national budgets.

The Saving and Investments Union (SIU) project of the European Commission (EC) follows this path. Its efforts to promote long-term investment, especially through pension products, are encouraging. While PEPP⁴ 1 lacked success notably due to a low viability for asset managers, with a 1% fee cap, the new pension package is more promising. In an effort to improve the interest for both providers and investors, the EC rightly contemplates a removal of the fee cap for the basic PEPP. However, the introduction of provisions on value-for-money (VFM) in its governance rules raises questions. Indeed, any price regulation based on benchmarks would disincentivise value creation by deterring innovative products from entering the market, thereby restraining and standardising the offer. A different approach to the VFM, with a peer-grouping exercise based on both quantitative and qualitative elements, would be a more viable alternative.

Auto-enrolment is a proven method to increase participation in financial markets.

Moreover, the revised PEPP should be an opportunity to achieve additional diversification, notably by enabling retail savers to be more exposed to private assets. In this respect, the EC's proposal to cap unlisted assets at 5%

is a meaningful step, but it could be more ambitious. For example, some national individual pension frameworks – for instance, the French PER – set a dynamic allocation to unlisted assets, ranging from 2% to 15% depending on the savers' age and risk profile. Furthermore, a minimum mandatory part of investment in EU assets would be an effective way to reduce the European investment gap.

Equally important is the need to improve the clarity and scope of eligibility of PEPP offerings at the national level, in order to render it accessible to the largest pool of investors. Auto-enrolment, already effective in some European countries, or recently put in place such as Ireland's MyFutureFund, is a proven method to increase participation in financial markets by allowing retail investors to “learn by doing.” Finally, targeted tax incentives should be considered to accelerate the development and take-up of high-quality pension products.

In conclusion, we believe that the EC's package on pensions is moving Europe in the right direction, and, combined with the development of citizens' financial literacy, may contribute to the promotion of long-term investments in the EU market. This is undoubtedly an important first step towards a successful SIU.

1. *ECB figures, 2025*
2. *World Bank, 2024*
3. *New Financial analysis of data from EIOPA, Eurostat, FSB, IMF, OECD, and the US Treasury, 2024*
4. *Pan-European Personal Pension Product*



ANNE MACEY

Global Head of Public Affairs –
Natixis Investment Managers

Mainstreaming pension savings: pedal to the metal!

The “real” retail investment strategy lies in developing pensions in all countries. While in the EU, capital markets are mostly institutional, they are retail in the US due to 401(k)s and Individual Retirement Accounts.

Europe’s pension preferences lie mostly in the 1st Pillar, universal pay-as-you-go systems carried by the State, and in many countries on a 2nd Pillar with social partners and contribution by employers, whereas the 3rd Pillar is individual. But, with European citizens aging, pensions gaps are widening. Pension dashboards and tracking systems allow citizens and States to acknowledge where they stand and contribute to share diagnoses.

The European Commission’s legitimate objective is to increase funded pensions in the EU. Legislative packages on PEPP (Pan European Personal Pensions Product) and IORP (Institutions for Occupational Retirement Provisions) seek to address the supply side. Paradoxically, **the change could come from the Commission’s state-of-the-art recommendations targeting the demand side, on auto-enrollment, dashboard, and tracking systems, complemented by relevant national deployment.**

Impact will probably focus on countries with underdeveloped personal pensions systems or limited workplace pension coverage. Implementation of PEPP could

interfere and must not hamper or reverse the correct functioning of systems that are well functioning or under development, especially 2nd Pillars.

IORP review aims at unlocking the long-term investment potential of pensions savings by improving scale and investment capacity. PEPP uptake, which had yielded two products, will request a viable basic option, with the removal of the 1% fee cap for a 3rd pillar requiring distribution at scale. Replacing it with full transparency on costs is more appropriate than ELOPAs benchmarks. We support the proposal to embed life cycle strategies into the basic PEPP, instead of a guarantee. PEPP features won’t necessarily match the requirements already set for national personal pensions products, given differences across Member States between the different pillars, as well as regarding social and labor laws. Hence the strong push from most Member States against granting PEPP equivalent national tax treatment. **The objective should not be the transfer of national pensions products to PEPP but growing the total amount of supplementary pension savings across the EU.**

National specificities should be acknowledged, for sure, but reforms to strengthen occupational pillars should accelerate. They should complement, not replace public pensions systems.

Our first recommendation, developed together with the French trade association, would be to **make such “complementary systems” compulsory for all private sector employees** (as in Sweden for instance) in countries where it is not yet the case. Social contributions could come from both employers and employees.

Supplementary pensions are developing at national level, but they still represent 12% of GDP in France, 7% in Germany, against 100% in Sweden, or 150% in the US and in the Netherlands (OECD).

Our second shared recommendation would be **mainstreaming supplementary pensions in each company, including smaller ones starting at 11 employees** – for instance the French collective PER – **with auto-enrollment.**

Long-term horizon matters to maximize returns. Auto-enrollment – from which one can always opt out combined **with life cycle strategies or *gestion pilotée* as default option**, as they automatically adapt the investment strategy to the age of the pension holder, combined with proper tax incentives have all been taken on board by the European Commission in its recommendations to Member States published in November 2025. In

addition, exploring a 70% reinvestment in EU markets including 50% equity would both allow employees to benefit from European and international diversification and benefit from these long-term investments, with an opt-out still possible. In the US, Trump accounts mandate investment in funds “mirroring American index”. Selecting funds should be possible for employees directly if they wish with terms of reference as the Swedish Fund Selection Agency allows. Its governance could also be entrusted to social partners.

Leveraging workplace savings would be an interesting pathway here. Compulsory allocation of employees shares ownership plans (10-15%) for instance would be a win-win-win solution for employees, employers and the broader collectivity/States.

The objective should be to grow the total amount of supplementary pension savings across the EU.

In addition, making investment more accessible for companies, especially young and innovative ones, can be boosted by private pension saving products. **We see private pension savings as a key opportunity to significantly increase equity investments.**

Leveraging second and third pensions pillars is thus crucial both for European citizens and the economy, by helping investors save for their pension while contributing to EU’s Savings and Investments Union.



ALEKSANDRA MACZYNSKA

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Better Finance

Will you afford to retire? rethinking EU supplementary pensions

From the perspective of a saver and individual investor, supplementary pensions in Europe too often fail the simplest test: do they deliver sustainable, positive real returns after costs and inflation?

Individuals are increasingly expected to take greater responsibility for retirement planning, complement statutory pensions with occupational and personal savings, either through proactive participation or auto-enrolment, and to “save more and start earlier”. This creates a “double burden” for the working-age population: financing current retirees through pay-as-you-go systems while saving for their own retirement income.

The 2025 joint BETTER FINANCE–EFPA study on Europeans’ financial health identifies a worrying preparedness gap. Only 44% of Europeans report knowing how much they have accumulated in pension savings, with significant gender and country disparities. Moreover, just 41% actively prepare financially for retirement, while 32% neither prepare nor intend to do so. Low levels of engagement, combined with limited financial literacy and increasing policy expectations to save and invest “more

and earlier”, increase the risk of wider socio-economic vulnerability.

Performance outcomes are equally concerning. BETTER FINANCE’s latest edition of *The Real Return of Long-term and Pension Savings* shows that, despite a recent market rebound, the 10-year median real net return of pension products is barely positive at 0.3%. A significant number of product categories continue to generate negative real returns, eroding purchasing power. Two strong market years have not compensated for a decade of mediocre outcomes. In that context, it is paramount that supplementary pensions start delivering good value for money.

Against this backdrop, the Commission’s Supplementary Pensions Package moves in the right direction.

Both occupational pension schemes and the PEPP hold great potential to enable European citizens to achieve pension adequacy, while also deepening the EU’s capital markets. BETTER FINANCE welcomes the Commission’s efforts to enhance the capacity of the supplementary pension sector to improve retirement income. Our annual research shows that, over the past decade, occupational pensions have delivered higher real net returns than voluntary personal pensions. This gap largely reflects persistently higher costs in Pillar III products, which on average have been 1.1 percentage points more expensive over the long term.

**Acting in the best
interests of members
must mean delivering
decent real net returns.**

We welcome enhanced long-term performance disclosure, the introduction of an explicit duty of care and a strengthened prudent person principle empowering IORPs’ actuaries and supervisors. However, flexibility must be accompanied by accountability. Governance standards, expertise requirements and effective supervision must ensure that greater investment freedom translates into higher real net returns for members.

The proposed duty of care is particularly welcome. By underlining that IORPs must provide “adequate, risk-adjusted and cost-efficient returns over the long term, consistent with the long-term nature of pension obligations”, the Commission defines the core mission of supplementary pensions. **Acting in the**

best interests of members must mean delivering decent real net returns.

The question of tax neutrality is equally crucial. BETTER FINANCE welcomes the Commission’s reiterated recommendation that all comparable pension savings products marketed within a Member State receive equal tax treatment. Comparable products should be subject to comparable rules, “same business, same rules”. Last but not least, conflicts of interest remain a pressing issue. Where possible, conflicts should be eliminated, not merely “managed”.

The Pan-European Personal Pension Product (PEPP) remains an important instrument for diversifying retirement income sources, particularly as demographic pressures intensify and PAYG systems face structural strain. BETTER FINANCE continues to support the PEPP’s founding objective: complementing statutory and occupational schemes to enhance retirement adequacy. However, the 2024 analysis of EIOPA’s Occupational Pensions Stakeholder Group demonstrated that PEPPs do not enjoy equal treatment across several Member States, notably in taxation, but also in payout restrictions, employee/employer benefits and transferability. Without effective national implementation and genuine level playing field conditions, the PEPP cannot fulfil its potential.

Europe’s pension reform will ultimately be judged by one metric: whether it improves pension adequacy. If the Commission’s package is implemented in a way that ensures good value for money for savers, tax neutrality, robust governance, an enforceable duty of care and effective supervisory convergence, it can help close Europe’s structural return gap.