# *PensionsEurope's answer to the call for evidence on the Savings and Investments Union*

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**Introduction**

PensionsEurope welcomes the opportunity to contribute to the European Commission's call for evidence on its approach to the Savings and Investments Union (SIU).

The ongoing discussions around the SIU, notably highlighted in the recently published Competitiveness Compass for the EU and the reports by Letta, Draghi, and Noyer, stress the urgent need to restore Europe's competitiveness and boost economic growth. Many of these workstreams focus on the potential of occupational and personal pensions, as well as long-term savings, to achieve these objectives. This suggests that the SIU and its related proposals could have a notable impact on pension funds, their operations, and activities in the future.

Ahead of the Communication on the SIU, PensionsEurope aims to share its perspective on the measures discussed so far and assess which policies can effectively enhance citizens' participation in funded pensions while ensuring adequate retirement outcomes. This paper also explores the opportunities and challenges that upcoming proposals within the SIU may pose for pension funds.

## 1. Developing capital markets

The reports by Letta, Draghi, and Noyer, as well as the Competitiveness Compass, highlight a shared concern: the EU's declining competitiveness compared to China and the United States. Significant private and public investments are needed to tackle this challenge. However, fragmented capital markets remain a major obstacle, as they limit the ability to mobilise large capital pools and restrict cross-border investments.

In 2015, the European Commission launched an action plan on building a Capital Markets Union, setting out measures to achieve a single market for capital in the EU. Despite regulatory and supervisory efforts at both EU and national levels, we agree with this consultation's assessment that EU capital markets still do not offer enough opportunities to investors. Progress has been slow, and key indicators of market finance development have shown limited improvement since the CMU's start.

PensionsEurope strongly supports the CMU's renewed momentum and its evolution into the SIU. Well-functioning capital markets are key for driving economic growth and competitiveness. Moreover, pension funds are important institutional investors and would benefit significantly from a less fragmented single market.

One positive development is the adoption of the Faster and Safer Relief of Excess Withholding Taxes (FASTER) initiative[1], which marks an important step toward reducing cross-border investment barriers by simplifying withholding tax relief procedures. It will allow pension funds to reinvest excess withholding taxes more efficiently. The upcoming FASTER-related Level 2 texts should also contribute to the smooth implementation of the new framework. We call on Member States to adopt these rules swiftly.

The European Commission's consultation on securitisation, which ended on 4 December 2024, is another encouraging step forward. This initiative has the potential to provide long-term investors, such as pension funds, with a broader pool of assets offering attractive risk-return profiles.

[1] At the ECOFIN Council of 10 December 2024

To further advance the SIU, the European Commission must continue efforts to deepen and enhance the liquidity of European capital markets. The 2022 proposal to harmonise some aspects of insolvency law was a step in the right direction, but European capital markets still lack the economies of scale seen in the US.

Greater market integration would create a more efficient cross-border investment environment, enabling institutional investors to trade at lower costs. Further efforts are needed to unlock these benefits for pension funds and other investors—fostering business growth and ultimately strengthening the resilience of the European economy.

## 2. Contribution to the European economy

This consultation emphasises that the SIU aims to channel savings into the most productive investments, aligning with the EU's strategic objectives, such as innovation, decarbonisation, digital technologies, and defence.

In this context, previous workstreams, including the Draghi report and the recently published Competitiveness Compass, stressed the potential of both occupational and personal pensions to mobilise citizens' savings into the European economy.

As institutional investors, pension funds play a crucial role in providing the long-term investments required for a sustainable future. They have a strong tradition of aligning investment practices with the values of their sponsoring companies, their members and beneficiaries, as well as with the broader societal needs. In particular, they have significantly contributed to addressing social challenges, including supporting climate goals and the UN Sustainable Development Goals.

While pension funds have a vested interest in investing in sectors that benefit society, their primary objective remains delivering strong and stable returns for their members and beneficiaries. This fiduciary duty must not be compromised. Pension funds should never be forced to invest in specific sectors for the sake of economic growth or other policy goals, as this would undermine their core purpose. We strongly oppose any measures that would compel pension funds to prioritise political objectives over the financial interests of their members and beneficiaries.

However, if the EU or Member States were to develop financial products—such as for infrastructure or seed financing—with attractive risk-return profiles that align with pension funds' long-term investment strategies, pension funds could invest in these products without compromising their fiduciary duty.

## 3. Increasing coverage in the EU: why auto-enrolment matters

A key question in developing funded pensions is to encourage enrolment in workplace pensions. Compulsory participation is the most effective way to expand occupational pension coverage. However, the introduction of mandatory participation in the second or third pillar can lead to disruptions in Member States with well-established and functioning pension systems. Collective labour agreements between social partners can also help to build trust and ensure good participation in occupational pension schemes, but this approach may not be feasible in all Member States as some countries may lack the practice of collective agreements in pensions.

An alternative approach is auto-enrolment, as advocated by Letta. Auto-enrolment has proven highly effective in expanding pension coverage. In the UK, nearly 11 million people have been enrolled in workplace pensions since its introduction in 2012. Lithuania's 2019 reform led to close to 80% of the workforce being covered within two years. Similarly, Ireland's auto-enrolment retirement savings scheme, starting on 30 September 2025, is expected to enrol over 800,000 new workers. Still, for these systems to truly succeed, they must not only achieve broad participation but also ensure that contribution levels are sufficient to provide adequate pensions.

Auto-enrolment has significant potential to address Europe's retirement challenges. We encourage the European Commission to incorporate auto-enrolment into its country-specific recommendations within the European Semester cycle, endorsed by the Member States.

That said, the European Commission must recognise that no single EU policy can address all existing gaps. A coordinated mix of measures is important, including addressing demographic shifts, ensuring adequate retirement income, improving financial literacy, and raising awareness of the need to save for retirement. In line with the subsidiarity principle, Member States are best positioned to determine and implement the necessary reforms.

## 4. Long-term savings products: possible avenues

Various SIU workstreams, including the Noyer Report, identify the importance of developing long-term savings products for citizens, a priority the European Commission has pledged to advance. It is still unclear whether these ideas will lead to proposals for pensions or focus mainly on long-term savings.

It is important to distinguish pensions from long-term savings, particularly as Member States apply different tax treatments to each. PensionsEurope advocates for a stronger focus by the European Commission on increasing pension savings for citizens who do not have access to robust pension systems. For those without access to occupational pensions, personal pension products remain the most viable option.

Two main approaches have been proposed for developing long-term savings products. The Letta report suggests an "auto-enrolment EU Long-Term Savings Product," building on the existing PEPP framework. In contrast, the Noyer report takes a bottom-up approach, recognising that viable long-term savings and personal pension products already exist in some Member States. Noyer recommends enhancing these products by introducing a European label for "good" national products that meet specific criteria.

Given the diversity of national pension, labour, and tax laws, PensionsEurope believes that a bottom-up approach is more likely to succeed. The Noyer Report's proposal for a European label for high-quality national products is particularly interesting. Criteria such as strong tax incentives within well-defined framework conditions will be crucial in fostering long-term savings. However, PensionsEurope firmly believes that the primary objective of such a label must be to deliver good outcomes for participants. We strongly oppose the Noyer Report's suggestion to mandate that 80% or more of assets be allocated to European investments. From a risk and return perspective, this requirement contradicts sound investment principles such as portfolio diversification.

Overall, we welcome this consultation's approach, which outlines the importance of balancing coordinated national efforts with Member State cooperation, alongside EU top-down policies. We encourage the European Commission to adopt this approach by promoting best practices among Member States and supporting the development of national long-term savings products.

## 5. Reviewing the PEPP

The PEPP review has also emerged as a key topic within the SIU discussions, highlighted in the EIOPA staff paper on the future PEPP and the Letta report.

PensionsEurope has been actively involved in discussions on the PEPP. We recognise its potential, particularly in countries where it could enhance supplementary retirement savings, such as those with underdeveloped personal pension systems or limited workplace pension coverage. However, challenges remain—especially concerning Member States' legal implementation and its unattractive tax treatment in some countries. In response to EIOPA staff paper and ahead of a potential review, we would like to share our views on the following points:

- *Merging second and third pillar*: EIOPA suggests allowing tax-efficient employers alongside personal contributions to merge the second and third pillar into a single product. According to EIOPA, this would help achieve scale and attract more providers.

  However, in countries with well-developed pension systems, such a second regime risks interfering with the operation of established or emerging schemes. These unintended consequences must be avoided, as the PEPP should not hinder or reverse the growth of existing pension systems. This concern is particularly relevant given the lack of evidence that PEPP offers advantages over national schemes.

  Regulatory changes to PEPP must also be carefully assessed to prevent legal complexities. Under the current PEPP regulation, providers must deliver a PEPP Key Information Document (KID) pre-contractually and an annual PEPP Benefit Statement during the contract period. Merging second and third pillar elements could further complicate information requirements, potentially leading to double reporting if IORP II Directive obligations were to apply on top of PEPP rules.

- *Auto-enrolment in PEPP*: PensionsEurope supports auto-enrolment as a means of expanding the coverage of funded pensions. However, given the diverse pension landscape across Member States, decisions on auto-enrolment for PEPP should remain at the national level, allowing each Member State to assess its feasibility within its specific context.

  That said, for auto-enrolment to be a viable option, PEPPs must be available in all Member States. Currently, this is only the case in four EU countries, which significantly limits their potential impact.

- *Value for money and the fee cap for PEPP*: We agree with EIOPA that finding an appropriate cost cap that balances the interests of both savers and providers is challenging and that the key question should be whether the PEPP delivers value for money. It is also true that the fee cap is only one of several barriers hindering the PEPP's uptake. However, meeting the 1% fee cap is particularly difficult for providers when they launch the product. Without adjustments to this requirement, it is unlikely that providers will offer PEPPs—even if other regulatory improvements are made.

### 6. Tax incentives

Tax incentives are an important factor for the successful development of both occupational and personal pensions. They should be user-friendly, with simplified procedures and coherence across regulations.

At the national level, well-designed tax incentives can be tailored to each Member State's institutional framework. The EU should actively encourage Member States to implement tax measures supporting contributions from both employees and employers to occupational and/or personal pensions. These incentives could be integrated into the country-specific recommendations of the European Semester, allowing Member States flexibility in choosing the most suitable instruments.

To increase participation in personal pensions, EU policymakers should also facilitate savings reallocation from less productive assets to more productive investments. Well-structured tax benefits can improve the attractiveness of capital markets, making investment options more appealing. Clear and tangible incentives are essential to driving behavioural change and increasing market participation. Given the objectives of the SIU—such as promoting retirement savings and financing the real economy, particularly the green transition—financial structures should support both long- and short-term investments through diversified, professionally managed vehicles. This could include lower capital gains taxes or tax exemptions based on investment duration or purpose. Additionally, incentives should encourage regular, diversified investments (e.g., small, periodic contributions), which help mitigate market fluctuations and foster long-term wealth accumulation.

Finally, pension fund participants should remain protected from unnecessary VAT burdens, regardless of the Member State where services are received. Ensuring VAT-free treatment of pension schemes is particularly important, as they are cost-sharing arrangements with a clear public interest in preventing old-age poverty and providing survivor benefits. They also offer exempt services themselves, meaning VAT on their purchases cannot be recovered.

### 7. Pension tracking systems & dashboards

In November 2021, EIOPA provided the European Commission with technical advice on national pension tracking systems. This could form the basis for a recommendation on national pension tracking systems, encouraging Member States to take action in this area. Many individuals accumulate retirement entitlements from multiple sources—state, occupational, and personal. Ensuring transparent and easily accessible information on all entitlements would help individuals make informed decisions and plan effectively for retirement, ultimately contributing to better financial outcomes and reducing potential pension gaps.

EIOPA has also provided the European Commission with technical advice on pensions dashboard. This tool would allow the European Commission and Member States to objectively compare the effectiveness of national pension systems by providing a comprehensive overview of retirement issues across all pension pillars. Such a dashboard could help assess the scale of pension challenges throughout the EU. However, significant obstacles remain, particularly concerning first-pillar pensions, which fall outside of the EU's competences. Additionally, some Member States may be reluctant to share social security data for an EU-level dashboard. A more feasible approach would be for the Commission to encourage Member States to first develop national dashboards covering all three pension pillars while fostering the exchange of best practices and insights across the EU.

**8. Simplification and streamlining regulatory requirements**

The European Union recognises that the heavy regulatory burden stemming from multiple legislative frameworks has become a barrier to its competitiveness. We welcome the European Commission's ongoing simplification and streamlining efforts, particularly through the omnibus simplification packages, with the first package published on 26 February 2025.

In recent years, European legislation has increasingly impacted all financial market institutions, including pension funds. However, pension funds are significantly different from other financial institutions. Many operate on a not-for-profit basis, are managed by social partners, and do not actively sell products. Small, cost-efficient pension funds—often closely linked to their sponsoring companies—are particularly impacted by broad legislative measures and the extensive use of Level 2 regulations. Moreover, existing regulatory requirements often do not consider the distinct operational structures of pension funds, where most activities are outsourced, or the different relationships they have with members compared to other financial providers with retail clients.

When drafting regulations for pension funds, the principle of proportionality must be applied more carefully, with proper impact assessments that evaluate costs and unintended consequences. The new Digital Operational Resilience Act (DORA) is a clear example of how the one-size-fits-all approach can lead to excessive compliance costs, further undermining the EU's competitiveness.

PensionsEurope urges the European Commission to reduce the regulatory burden on pension funds and strongly supports its forthcoming initiatives on simplification.

**Conclusion**

In conclusion, PensionsEurope strongly supports the development of occupational and personal pensions and believes that the EU, particularly through the SIU, has a vital role to play in advancing this objective.

Past initiatives under the CMU agenda have helped deepen European capital markets and enhance liquidity, supporting pension funds and their investment activities. However, they remain incomplete. Further efforts are needed under the current mandate to achieve greater harmonisation of capital markets in the EU.

The SIU's ambition to mobilise private savings into strategic sectors to boost the EU's competitiveness and economic growth aligns with the priorities of pension funds. However, pension funds' fiduciary duty should be respected and should not be compromised by other policy objectives.

To improve citizens' access to occupational and personal pensions, PensionsEurope advocates for several key measures: introducing auto-enrolment, enhancing tax incentives and exemptions, and increasing transparency through national pension tracking systems and dashboards. These reforms must be tailored to national contexts, with decision-making and design left to Member States. The EU can support this process by promoting best practices and facilitating cooperation between national governments.

Another key priority is simplifying and streamlining EU regulatory requirements. The EU should remain committed to its simplification agenda by reducing administrative burdens and preventing legislative duplication. Future regulations should apply the principle of proportionality more rigorously and account for the unique characteristics of pension funds, many of which are not-for-profit and managed by social partners.

PensionsEurope is ready to work with the European Commission and other stakeholders to advance policies that strengthen retirement security across Europe.

## About PensionsEurope

**PensionsEurope** represents national associations of pension funds and similar institutions for workplace and other funded pensions. Some members operate purely individual pension schemes.

PensionsEurope has **25 member associations** in 19 EU Member States and 3 other European countries[2].

PensionsEurope's member organisations cover different types of workplace pensions for approximately over **90 million people.** Through its Member Associations PensionsEurope represents approximately **€ 5 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 **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 and 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.

## Our members 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;
- 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.

*Contact:*

***PensionsEurope***

*Montoyerstraat 23 rue Montoyer – 1000 Brussels*

*Belgium Tel: +32 495 21 62 61*

*info@pensionseurope.eu*

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