PensionsEurope Pension Funds Statistics and Trends

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www.pensionseurope.eu

1. Executive summary

Key statistics:

- **The number of Members and Beneficiaries and the assets under management which PensionsEurope Member Associations represent have greatly increased over the years. Today, they include pension funds** (only the 2nd pillar) **which represent around €4000 billion assets and 68 million Members and 29 million Beneficiaries (including pensioner Members and deferred Members)[1].**
- **If all private pension arrangements** (both the 2nd pillar and the 3rd pillar, including pension funds/IORPs, group insurance, book reserves, and personal pensions) **are included, PensionsEurope Member Associations represent around €4604[2] billion assets**. Beyond pension funds, they also represent book reserves: €354 billion assets and 10.8 million people; group insurance: €66 billion assets and 8.1 million people; and 3rd pillar personal pensions: €184 billion assets and 16.6 million people[3].
- **Our Member Associations represent over 100 000 pension funds in 21 countries.**

Trends:

- Across Europe, the majority of pension assets are still held in Defined Benefit (DB) arrangements, while at the same time there is a growing trend towards the establishment of Defined Contribution (DC) pension plans for ongoing workplace pension provision.
- Millions of citizens across Europe already rely upon workplace DC pension plans to supplement the pension benefits that they receive from the state. This number is likely to continue to increase significantly in the coming decades, as employers look for a less risky alternative to DB pension plans and governments across Europe consider ways to help close the gap that is emerging – for economic and demographic reasons - between state pension provision and citizens' income needs in retirement.
- **Sustainable finance has been the big megatrend in pension funds' investment policies already for some years, and the new national and EU legislation (taxonomy, disclosures, and benchmarks) will increasingly encourage pension funds' ESG compliant investments.**
- During the last years, a search for yield has been a necessity for pension funds (except Iceland where, in general, interest rates are still positive, and assets have moved into that market rather than out of it). In other countries, the search for yield through the shift from traditional asset classes towards riskier investments has been necessary step for pension funds as this is in line with their primary objective to be able to provide for pensions (this is obvious for those who provide pensions with defined guarantees). Not searching for yield and remaining fastened to traditional investments, such as sovereign bonds, would have undoubtedly led to smaller pensions.
- Many pension funds are interested or planning to increase their investments in private equities. The private equity market can provide long-term investments with higher yields in a

[1] The number of Members and Beneficiaries contain some double counting.
[2] Please note that the figures in this report have been rounded, and may not always add up exactly as a result.
[3] The number of people contain some double counting from the 2nd and 3rd pillar.

low interest environment. This makes private equity a suitable candidate for more investments in the upcoming years. At the same time, in some countries (such as the Netherlands) there is discussion e.g. about the risks associated to these investments, and possibly this could lead to declining investments.

- De-risking of (DB) pension schemes is a global trend and it may take several forms. For instance, employers can choose to retain all assets and liabilities and manage volatility by aligning a portion of the pension scheme's assets (generally allocated to fixed income) to a portion of the liability. Employers can also choose to entirely eliminate the volatility and the interest rate and longevity risk by transferring the liabilities and assets to a third party.
- **During the last decade, asset pooling has become more and more popular amongst pension funds in some countries**, whereas in some other countries it is not (yet) allowed. It can help pension funds to find more effective ways to manage their assets and to have lower investment fees.
- **Pension funds' stabilizing and countercyclical investment behaviour is expected to continue. The main trends that may affect this behaviour are the growing popularity of low-cost passive investments** (although the rebalancing/countercyclical behaviour could very well be continued) **and the gradual shift towards DC/hybrid schemes instead of DB schemes** (although many DC schemes pursue a lifecycle approach implying a countercyclical rebalancing strategy). Furthermore, legislative capital requirements or accounting rules may drive pension funds away from equities (including long-term sustainable investments) in favour of other investments (including sovereign bonds).

Recommendations:

- **Pension funds are covered by various reporting requirements on national and EU level and based on the outcome of the fitness check on supervisory reporting requirements, we are expecting concrete actions from the von der Leyen Commission.**
- **It is important to complete the Capital Markets Union to remove barriers for cross-border investments and boost pension funds' investments in Europe.**
- **PensionsEurope has called on EIOPA and EU policymakers to respect the minimum harmonisation character of the IORP II Directive and to recognise the numerous specificities of IORPs (compared to other financial institutions) and that IORPs need a unique supervisory and legislative framework.**
- **The Financial Transaction Tax contradicts the EU strategy to create growth and foster investment in the EU, as it would severely affect pension funds in their roles as investors. The FTT would consequently have a negative effect on pension funds' ability to contribute to the CMU objectives. We firmly believe that the FTT would be detrimental to retirement savings and to the real economy. The EU wide FTT initiative should be withdrawn or otherwise at least pension funds should be exempt from its scope.**
- **Pension funds' long-term horizon and their ability to follow contrary investment strategies support the proposition that pension funds can act as shock absorbers in the economy by providing liquidity and by not being forced to sell assets when asset prices are squeezed. It is important that legislation continues to allow pension funds' countercyclical behaviour.**

2. Introduction

Most of the asset classes have generated good, and even great, returns for pensions funds over the last years and a decade despite the continuing low interest rate environment. Pension funds have successfully searched for yield from various asset classes, not only from alternative investments but also for instance from corporate bonds with higher yields. Sustainable finance has been the big megatrend in pension funds' investment policies already for some years, and the new national and EU legislation (taxonomy, disclosures, and benchmarks) will increasingly enable pension funds' responsible investment strategies.

The purpose of this report is explicitly to show what PensionsEurope[4] Member Associations represent, not the whole landscape of workplace or supplementary pensions in certain Member States or in Europe. This report is based on the quantitative and qualitative surveys that PensionsEurope conducted amongst its Member Associations in the autumn of 2019.

The above-mentioned surveys used the relatively challenging end-2018 as the reference date when some of the major equity indices fell sharply in in the autumn of 2018 – suffering one of the worst declines since the 2008 financial crisis. That is why in some countries the assets that our Member Associations represent slightly decreased from the end-2017 to the end-2018 (in some countries, the fall has also been due to increasingly negative cashflow nature of defined benefit (DB) schemes). Since then, the assets have significantly increased, and many indexes are again at all-time highs.

Besides publishing our own statistics, PensionsEurope has actively worked on various other pension data related topics, as pension funds are covered by various reporting requirements on national and EU level. There is a variety of national reporting requirements in all EU Member States where employment-related pension provision applies. In addition, pension funds may be subject to reporting requirements of local tax authorities as well as National Competent Authorities (NCAs) responsible for prudential supervision.

Reporting requirements under various EU legislation e.g. include European Market Infrastructure Regulation (EMIR), Market in Financial Instruments Directive (MiFID II) and Regulation (MiFIR), and Securities Financing Transactions Regulation (SFTR). The requirements for transaction-level reporting stemming from EMIR and SFTR show considerable differences in terms of reporting details, reporting channels, data repositories and applicable IT standards. Furthermore, since 2015, EIOPA IORP stress tests have contained a big reporting burden to many pension funds - particularly because EIOPA has required the participating IORPs to use very different methodology compared to what they are used to use.

The burden and costs to pension funds have increased with the new pension data reporting requirements by the ECB and EIOPA. The first release of their aggregated dataset has been planned for mid-2020. While aiming for stable reporting templates and a stable taxonomy, PensionsEurope has

[4] PensionsEurope was established in 1981 (at the time "the European Federation for Retirement Provision" (EFRP)), and since then it has significantly expanded and developed and currently represents 24 member associations in the EU Member States and other European countries.

stressed that it is also important to carry out post-implementation reviews of new requirements in order to keep them 'fit for purpose'. It is right to assess on an on-going basis whether there is room to make reporting requirements and tools more efficient, whether all information requested is necessary and whether potentially overlapping requirements can be streamlined[5].

Besides the ECB and EIOPA, we also co-operated with the European Commission (EC) on their fitness-check on supervisory reporting requirements. It is important that fitness checks on supervisory reporting are regularly conducted. Based on the outcome of the fitness check, we are expecting concrete actions from the von der Leyen Commission. Furthermore, we have stressed that the new EC should have a more horizontal approach when drafting new financial market legislation by first exploring its consistency with various current legislation and their wider costs/impact on industries.[6]

Like PensionsEurope has done over the past decades, we aim to continue publishing our own pension fund statistics also in the upcoming years. It is possible that the new ECB and EIOPA pension statistics will provide some new interesting information on pension funds (and their assets, liabilities, and investments), so potentially our future reports will also include some additional data and analysis from those statistics.

Disclaimer: This report has been written prior to the financial markets turmoil in the spring of 2020.

[5] See PensionsEurope comments to the EC on the fitness check on supervisory reporting requirements for pension funds (December 2018).
[6] See PensionsEurope brochure Supervisory reporting requirements for pension funds which are fit for purpose (June 2019) and our press release on it.

3. Number of pension funds and their assets under management

Most of the assets under management of pension funds that PensionsEurope Member Associations represent are in the **Netherlands** and in the **UK**.

Table 1. Number of pension funds per country represented by PensionsEurope Member Associations and assets held by them (in 2018)

Country	Number of pension funds	Assets held by pension funds (billion EURO)
Netherlands[7]	233	1322.57
United Kingdom	1300	1176.50
Switzerland	1570	764.24
Germany	165	206.30
Ireland	72710	143.30
Italy	213	113.81
Spain*	1579	48.34
Sweden*	62	36.72
Norway	84	35.00
Belgium	192	29.00
Iceland	22	28.70
Austria	9	21.80
Portugal	187	18.07
France	25252	16.60
Croatia	12	13.23
Romania	7	10.20
Bulgaria	18	6.27
Finland	45	4.15[8]
Estonia	22	3.60
Luxembourg	12	1.58
Hungary	4	0.77
TOTAL	**103,698**	**4000.75**

** PensionsEurope has two Member Associations in Spain and in Sweden. Spanish INVERCO represents the assets of €33.96bn and 1293 pension plans, whereas Spanish CNEPS represents €14.38bn and 286 pension funds. In Sweden, SPFA represents assets of €20.00bn and 53 pension funds, whereas Tjänstepensionsförbundet €16.72bn and 9 pension funds.*

In the **Netherlands** the assets grew by 38% (from €956.87bn to €1322.57bn) between 2013-2018. In the **UK** the successful roll out of automatic enrolment has had a major impact on the DC landscape and significantly increased the total amount of pension funds' assets. In addition to the **UK** and the

[7] Pensioenfederatie, PensionsEurope's Member Association from the Netherlands, represents 197 Members which have around EUR 1320 billion AUM.

[8] At the end of 2018, all the pension assets in Finland were EUR 197.6 billion (the statutory earnings-related pension assets EUR 193.4 billion + the funds for collective supplementary pension provision, managed by industry-wide pension funds and company pension funds EUR 4.15 billion), see in more detail here.

Netherlands, the assets grew significantly in most of the countries between 2013-2018, including the increase of[9]:

- 228% in **Romania** (from €3.11bn to €10.20bn)
- 100% in **Bulgaria** (from €3.14bn to €6.27bn)
- 89% in **Iceland** (from €15.2bn to €28.7bn)
- 93% in **France** (from €8.6bn to €16.6bn)
- 85% in **Luxembourg** (from €0.85bn to €1.58bn)
- 73% in **Croatia** (from €7.63bn to €13.23bn)
- 61% in **Belgium** (from €18.0bn to €29bn)
- 57% in **Ireland** (from €91.5bn to €143.3bn)
- 34% in **Italy** (from €85bn to €113.8bn)
- 34% in **Germany** (from €158,35bn to €212,94bn)
- 32% in **Norway** (from €26.5bn to €35.0bn)
- 25% in **Portugal** (from €14.42bn to €18.07bn)
- 22% in **Austria** (from €17.9bn to €21.8bn)

Also, other pension statistics[10] show growing pension assets and pension funds' good returns in Europe with an exception when using the relatively challenging end-2018 as the reference date as some of the major equity indices fell sharply in December 2018. Since then, the assets have significantly increased, and many indexes are again at new all-time highs. However, in some countries (such as **Ireland**[11]), the assets have decreased due to increasingly negative cashflow nature of defined benefit (DB) schemes).

According to the latest OECD Pensions Markets in Focus (2019 edition), the total assets of funded private pension arrangements as a percentage of GDP are particularly high in the following European countries: **Denmark** (198.6%), the **Netherlands** (173.3%), **Iceland** (161%), **Switzerland** (142.4%), the **UK** (104.5%), and **Sweden** (88.0%). Some see risks that pension funds have large assets in relation to their country's GDP, but we believe that it is a much smaller concern compared to the situation that in many countries the pension assets are low. In the latter, e.g. due to changing demographics (ageing societies and increasing life expectancy) and possible challenges in pension adequacy and sustainability, the concerns will be even larger in the future.

PensionsEurope welcomes further research on the quality of occupational and personal pensions and the outcome of pension savings. PensionsEurope has highlighted numerous specificities that the research should take into account in order to give a realistic picture of the quality and outcome of pension savings[12]. If these specificities are ignored, the research faces a serious risk of comparing apples and pears.

[9] Data is shown where available.
[10] See for instance OECD Pension Markets in Focus, 2019 edition and EIOPA occupational pensions statistics.
[11] See the IAPF Pension Investment Survey 2018.
[12] See PensionsEurope opinion on the research on the quality and outcome of pension savings – Comparing apples and pears.

When it comes to the number of pension funds (see Table 1 above), PensionsEurope Member Associations represent around 103 698 pension funds (8% increase during the last three years) in 21 countries. 70% of these pension funds (72 710) are located in **Ireland**, as there is a large number of small pension funds in Ireland. Most of the Irish pension schemes have only 1 member and would not be required to be registered in some other countries.

On the other hand, pension funds in the **Netherlands** are particularly big. Around a decade ago there were more than 1000 pension funds operating in the Netherlands, whereas currently PensionsEurope Member Association Pensioenfederatie represents 233 pension funds. As a consequence of consolidation, the number of pension funds (and therefore pension schemes) in the Netherlands is expected to decline further in the upcoming years. However, this does not necessarily lead to a shift from DB to DC schemes. In general, pension funds' assets and participants go to other pension funds or to a general pension fund. The main drivers of the downward pressure on the number of pension funds are cost-effectiveness and regulatory burden. Particularly, fit-and-proper requirements on Board Members and for the key functions prove to be quite onerous.

In many countries the number of DB pension schemes is expected to decrease in the upcoming decades. In **Portugal**, a trend to convert DB schemes to DC schemes has stopped, or at least, it has significantly slowed down. No new Portuguese DB schemes have been created or are expected to be created, and the existing schemes will eventually disappear as the respective covered population decreases.

The number of DC pension schemes is expected to increase in some countries (such as **Spain** and **Portugal**) **whereas in some others** (such as **Hungary** and **Ireland**) **their number is likely to decrease through consolidation**. In **Austria**, there are mainly contracts with DC schemes. Consolidations have taken place during the last years and consequently the number of pension funds has decreased, but further decrease is not (yet) expected.

In **Portugal**, DC pension schemes are the only ones that are being created, and accordingly Portugal has witnessed the creation of new open pension funds to increase the scope of investment possibilities offered to pension funds' members. The number of 2nd pillar new DC schemes has not (yet) shown a significant increase in Portugal, but it is expected to rise moderately in the coming years due to the creation of DC schemes for new hires of companies that have a DB scheme that is closed for new members.

In **Italy**, the number of pension funds has been constantly decreasing, and from 2000 to 2018 the number of active pension funds decreased from 719 to 398 (-46%). In absolute values this trend is remarkable for pre-existing pension funds (a special type of occupational pension fund with the highest number of active schemes) where the number of schemes decreased from 578 to 251 in the same period due to the marketing and advertising in the banking sector that are now embracing also the retirement provisions for their employees. For the upcoming years a further decline in the number of occupational pension funds is expected in Italy (especially for pre-existing schemes), and the transposition of the IORP II Directive (new governance provisions) could represent a relevant challenge. An important role will be played by the choice of the national supervisor in the interpretation of the proportionality principle.

When it comes to DB schemes in **Germany**, it is expected that the number of Pensionsfonds will continue to slightly increase (mainly by service providers). However, the number of Pensionskassen is expected to decline further due to prolonged low interest rate environment and the increasing regulatory requirements (e.g. implementation of the IORP II Directive, reporting requirements, and new ESG regulation).

In **Iceland,** there are five DB schemes. All of them have been closed for new members since 1997, and it is not expected that the number of these schemes will decrease in near future. Currently the total number of Icelandic DC schemes is 19, and their number has decreased last decades due to mergers. There are different opinions of what might be the 'optimal' numbers of schemes (some people saying 7 to 15 in total).

In **Bulgaria**, it is expected that the number of DC pension funds will remain unchanged. The consolidation forces will intensify, as the market is limited and inefficient, and smaller pension funds might be forced to be merge or undergo serious transformations in order meet the rising regulatory requirements and other cost pressures (due to the lack of economy of scale). An introduction of PEPP in the upcoming years might have certain impact, as it will allow new players and DC schemes to enter the Bulgarian investment market, but it could affect insignificantly mainly the voluntary pension funds of the local pension companies from the third pillar (individual investment products in the voluntary schemes), if at all.

Tables 1 and 2 illustrate the diversity of the European pensions' landscape. Pension systems in Europe are as diverse as the Member States themselves. That is also why the modernised rules for pension funds[13] should recognise that

I. the way in which IORPs are organised and regulated varies significantly between Member States – not least because their integration with the first pillar (state) pension provision varies
II. it is not appropriate to adopt a 'one-size-fits-all' prudential approach to IORPs, and
III. the European Commission and EIOPA should take account of the various traditions of Member States in their activities and should act without prejudice to national social and labour law in determining the organisation of IORPs[14].

PensionsEurope has called on EIOPA and EU policymakers to respect the minimum harmonisation character of the IORP II Directive and to recognise the numerous specificities of IORPs (compared to other financial institutions) and that IORPs need a unique supervisory and legislative framework.

[13] Directive of the European Parliament and of the Council on the activities and supervision of institutions for occupational retirement provision (IORPs) (recast)
[14] See PensionsEurope brochure on the outcome of the IORP II Directive.

Changing EU IORP landscape after Brexit

At the end of January 2020, the **UK** formally withdrew from the European Union, after nearly half a century of membership. The entry into force of the withdrawal agreement marked the start of a transition period until 31 December 2020. This transition period aims to provide more time for citizens and businesses to adapt. During the transition period, the UK will continue to apply Union law but it will no longer be represented in the EU institutions. The transition period can be extended once for a period of up to one or two years, if both sides agree to this before 1 July 2020.

The UK's withdrawal from the EU had a particularly big impact on the EU's IORP landscape. Today, after Brexit, around 2/3 of the IORPs' assets in the EU are held by the Dutch IORPs. The negotiations on the future partnership between the EU and the UK will have an impact on both the IORPs in the EU and in the UK. The framework for this future relationship was set out in the political declaration agreed by both sides in October 2019. If the UK leaves not only the EU but also the EEA, many IORPs would have to further adjust their asset allocations to respect the investment rules.

In 2018 and 2019, pension funds explored and prepared for various Brexit outcomes. As the situation was rather unpredictable, the first scenario that many pension funds explored was a hard Brexit and the fact that British investment partners would lose the European passport for all activities with the Continent. The scrutiny included mandates and/or funds managed by external managers. In general, few problems were foreseen regarding the continuation of service provision, but pension funds and their service providers have been changing towards EU entities of banks and alternative transaction systems.

In the **Netherlands**, most attention was given to the effect on derivatives and the impact on counterparties. The Dutch pension funds also preparing for a Brexit by redirecting certain activities from the UK to Luxembourg, for instance. Pensioenfederatie, PensionsEurope's Dutch Member Association, also published a document in addition to a newsletter from the Dutch central bank to help pension funds prepare for a Brexit.

So far, Brexit has led to a slight increase in investment risk in the British companies[15] and it has had impact on pension funds' currency risk management in many countries. However, in several countries, the currency risk has not been a major topic, as the currency exposure is limited by law which means that the majority of the assets is Euro denominated or there is a currency hedging to Euro. For instance, **German** IORPs follow the rules of the asset allocation circular which requires them to hold at least 80% of their assets in the currency of their liabilities. This is a general requirement for German IORPs. In March 2019 a specific law came into force which hopefully means there is no need for action due to investment regulation once the transition period ends (see Article 10, 13 and 14 of the Brexit-Steuerbegleitgesetz Bundesgesetzblatt (March 2019)).

In **Bulgaria,** Brexit developments were principally followed closely by the pension companies, and FX risk of the GBP were avoided. Operational risks were intensified, and certain contractual agreements with UK based counterparties were preventively terminated and re-negotiated. In **Iceland**, pension

[15] It is worth of noting that many companies listed on the London Stock Exchange are not British companies.

funds decreased their exposure to British public and private equities, and they have less appetite for GBP denominated securities in general. In **Belgium,** pension funds were informed about possible impact of Brexit, and action was required if in case of custodians, (re)insurers and administration providers being located in the UK.

4. Coverage of pension funds

The number of Members and Beneficiaries and the assets under management that PensionsEurope Member Associations represent have greatly increased over the years. Today, they include pension funds (only the 2nd pillar) that represent around 68 million Members and 29 million Beneficiaries (including pensioner members and deferred members)[16]. A large part of them are from the **UK** and the **Netherlands**, and most of the assets under management of pension funds are in those countries as well (see above). Otherwise, the total amount of assets does not directly reflect the total number of people covered in different countries. Particularly **Romania**, **Bulgaria**, **Croatia** and **Estonia** are comparatively higher in the ranking of pension funds' coverage than in the ranking of pension funds' assets under management, as the average income and pensions are also lower in these countries.

Table 2. Pension funds' coverage

Country	Number of Members	Number of Beneficiaries
United Kingdom	20,000,000	10,493,000
Netherlands	5,788,890	13,391,661
Germany	8,781,723	1,733,890
Romania	7,250,299	18,999
Switzerland	4,247,310	1,217,650
Spain*	4,559,842	106,519
Italy	4,228,528	112,145
Bulgaria	4,033,315	n/k
France	2,620,000	n/k
Croatia	1,936,261	n/k
Sweden*	1,112,062	187,637
Belgium	974,842	759,473
Austria	947,545	103,976
Ireland	454,340	750,000
Estonia	744,675	37,373
Norway	131,000	368,000
Iceland	269,436	134,161
Portugal	165,774	132,668
Hungary	55,921	n/k
Finland	9,500	58,500
Luxembourg	15,937	n/k
TOTAL	**68,327,200**	**29,605,652**

[16] The number of Members and Beneficiaries contain some double counting.

** PensionsEurope has two Member Associations in Spain and in Sweden. Spanish INVERCO represents 1,999,842 members and 106,519 beneficiaries, whereas Spanish CNEPS represents 2,560,000 members (the number of beneficiaries is unknown). In Sweden, Tjänstepensionsförbundet represents 1,032,062 members and 187,637 beneficiaries and SPFA represents around 80,000 members (a number of beneficiaries is unknown).*

Between 2013-2018 pension funds' coverage increased in most of the countries, including the increase of[17]:

- 70% in **France** (from 1,536,000 to 2,620,000)
- 43% in **Belgium** (from 1,212,033 to 1,734,315)
- 37% in **Iceland** (from 294,507 to 403,597)
- 35% in **Switzerland** (from 4,058,979 to 5,464,960)
- 31% in **Norway** (from 382,000 to 499,000)
- 27% in **Italy** (from 3,428,616 to 4,340,673)
- 25% in **Austria** (from 840,000 to 1,051,521)
- 16% in **Luxembourg** (from 13,718 to 15,937)
- 20% in **Romania** (from 6,039,261 to 7,250,299)
- 14% in **Croatia** (from 1,702,218 to 1,936,261)
- 12% in **Bulgaria** (from 3,592,082 to 4,033,315)

The reason for the remarkable increase of 70% in **France** is that the Perco pension scheme is a relatively recent product which is provided by a growing number of companies, especially small and medium sized enterprises. This trend is expected to continue.

In the **UK**, thanks to the successful roll out of automatic enrolment the coverage has increased by several millions of people. The PLSA, PensionsEurope Member Association in the **UK**, represents already 20 million members and that number will continue to grow in the future. In 2018, the government in **Ireland** set out a high-level roadmap for pension reform which includes the introduction of automatic enrolment, aiming to bring hundreds of thousands of people into DC pension schemes for the first time.

In **Italy**, from 2015 the 'contractual enrolment', a form of automatic enrolment established by collective labour contracts. It is a relatively new phenomenon in **Italy**, whereby trade unions and employers' association agree that workers automatically join industry-wide pension funds. Workers receive contributions by employers, but they do not have obligations to contribute by themselves.
PensionsEurope continues to work to increase workplace pension coverage in Europe. We have called on the European Commission and the EU Member States to work harder in order to promote and strengthen occupational pensions in Europe. European citizens need more supplementary pensions to enjoy an adequate standard of living in retirement. Countries with a well-developed multi-pillar pensions system experience significantly lower levels of old-age poverty and social exclusion. A lot needs to be done at the national level, but EU policymakers should also consider carefully the recommendations of the High-Level Group of Experts on Pensions[18]. That group was established to

[17] Data is shown where available.
[18] See the Final Report of the High-Level Group of Experts on Pensions (December 2019).

advise the European Commission on matters related to ways of improving the provision, safety through prudential rules, intergenerational balance, adequacy and sustainability of supplementary pensions.

In the summer of 2019, we published a brochure "Europe needs to shift gears in pensions"[19] which contains PensionsEurope's policy recommendations for the EU's next 5-years programme by highlighting why supplementary pensions matter, and why and how EU policy needs to support supplementary pensions. It e.g. stresses that the EU should support the development and strengthening of supplementary pensions. Pension system design is a matter of national competence, but the EU should act as a facilitator to exchange information and best practices on how to ensure the long-term sustainability and adequacy of pension systems.

We have stressed that the sustainability and adequacy of pension systems are very important, and we have welcomed that, for instance, the European Commission's Annual Growth Survey 2019[20] calls on Member States to ensure the sustainability and adequacy of pension systems for all. Clearly this requires more supplementary pensions in Europe[21].

[19] See PensionsEurope brochure "Europe needs to shift gears in pensions" (2019).
[20] See the page number 7 of the European Commission's Annual Growth Survey 2019.
[21] See also the European Commission's 2018 Ageing Report (May 2018).

5. Type of pension schemes

Across Europe, the majority of pension assets are still held in Defined Benefit (DB) arrangements, while at the same time there is a growing trend towards the establishment of Defined Contribution (DC) pension plans for ongoing workplace pension provision[22]. Against this changing backdrop, PensionsEurope has engaged in a forward-looking consideration of developments in order to contribute to the evolution of pensions. In June 2017, PensionsEurope published a paper "Towards a New Design for Workplace Pensions"[23] aiming to provide a framework for modern pension solutions in order to achieve good pension outcomes for participants and beneficiaries linking the best of the DB and DC world. This paper recognises that the majority of new pension design ideas uses elements from the development of DC plans, whilst there is a lot that can be learned from current DB that can be incorporated in future proof pension design as well.

In December 2019, PensionsEurope published a paper on Good Decumulation of Defined Contribution Pension Plans throughout Europe[24] exploring the pros and cons of decumulation options, both in cases where there is no (or very limited) choice available to members at retirement and cases where members have choice. It continues the series of PensionsEurope publications on DC issues which include Principles for Securing Good Outcomes for Members of Defined Contribution Pension Plans throughout Europe[25], Pension Design Principles applied to modern Defined Contribution solutions[26] and Key Principles of Good Governance for Workplace Defined Contribution Pension Plans throughout Europe[27]. These papers are addressed to regulators and policymakers across the EU, researchers, and not least to social partners and those running pension plans.

Millions of citizens across Europe already rely upon workplace DC pension plans to supplement the pension benefits that they receive from the state. This number is likely to continue to increase significantly in the coming decades, as employers look for a less risky alternative to DB pension plans and governments across Europe consider ways to help close the gap that is emerging – for economic and demographic reasons - between state pension provision and citizens' income needs in retirement.

Currently, in terms of assets, 87,5% of the pension schemes that PensionsEurope Member Associations represent are still DB and hybrid, and 12,5% are DC schemes.

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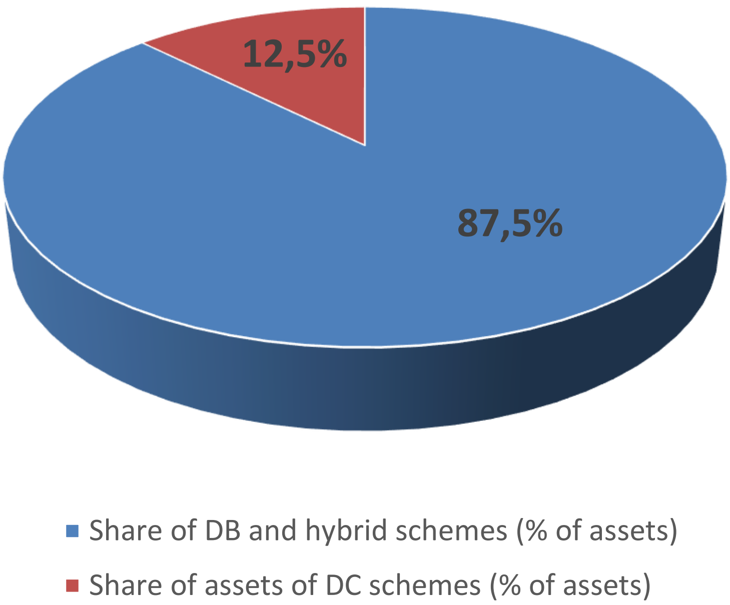
[22] It is worth of noting that in some cases there is not a common understanding of what constitutes DC/DB/hybrid across Member States.
[23] See PensionsEurope paper Towards a New Design for Workplace Pensions – Leveraging Defined Benefit Pension Design to Strengthen Workplace Pension Solutions for the Future in Europe.
[24] See PensionsEurope paper Good Decumulation of Defined Contribution Pension Plans throughout Europe.
[25] See PensionsEurope paper Principles for Securing Good Outcomes for Members of Defined Contribution Pension Plans throughout Europe.
[26] See PensionsEurope paper Pension Design Principles applied to modern Defined Contribution solutions.
[27] See PensionsEurope paper Key Principles of Good Governance for Workplace Defined Contribution Pension Plans throughout Europe.

Figure 1. Share of assets of DB, hybrid and DC pension schemes



PensionsEurope Member Associations represent almost purely DB schemes in **Finland** and **Norway** in which some DC schemes in private sector have been established. Almost all DB schemes in the Norwegian private sector have been closed for new members and employees below the age of 52 have been transferred to new DC schemes. Older employees still earn pension rights in DB schemes. Thanks to collective agreements, there are still many open DB schemes in the Norwegian public sector. These schemes will probably, within a few years, include hybrid schemes for the future accrual of pension rights.

DB/hybrid schemes are also predominant in the **Netherlands** (99%), **Sweden**, and **Germany**. In the **Netherlands**, there is ongoing discussion on shifting toward a new pension system which could have more characteristics of DC schemes (however, they would not be considered as individual DC schemes).

In **Germany**, DC did not qualify as an occupational pension until 1 January 2018, when the law to strengthen occupational pensions changed that. It enables the social partners to set up DC schemes, subject to a number of conditions, and therefore, it is expected that over the next few years DC schemes will be set up to deliver the German social partner model (according to press reports, the first one was set up in mid-October 2019).

In **Sweden** new DC schemes have been negotiated and introduced in all sectors. New and younger employees are usually covered by new DC schemes, whereas older employees often remain covered by the DB scheme. In some cases, there are also long transition periods in the transfer from DB to DC. DB schemes will thus remain for the foreseeable future, but the increased regulatory burden may lead to consolidation among smaller pension funds.

According to PensionsEurope's survey, in most of the countries, the number of members of DB schemes will continue to decline in the coming years, as most of the DB schemes have been closed for new members. In some countries (for instance in **Iceland** and **Portugal**), the number of beneficiaries of DB schemes will increase in the near future but, in the longer run, their number will also decrease.

In six countries (**Bulgaria, Croatia, Estonia, France, Hungary** and **Romania**) PensionsEurope Member Associations represent only DC schemes (in **Bulgaria**, DB schemes are not allowed by law). Their share is particularly high also in **Italy** (90%), **Iceland** (89%), and **Austria** (80%). The number of members and beneficiaries of DC pension schemes is expected to continue increasing in the upcoming years in many countries (for instance in **Austria**, **Belgium**, **Bulgaria**, **Croatia**, **Estonia**, **Hungary**, **Iceland**, **Italy**, **Portugal**, and **Spain**). In **Ireland**, the number of both members and beneficiaries of DC schemes is expected to grow due to planned introduction of automatic-enrolment.

In the **UK**, the Pensions and Lifetime Savings Association's (PensionsEurope Member Association) 2014 Annual Survey revealed that active membership of DC schemes outnumbered that of DB schemes for the first time. DB plans have traditionally been the dominant form of pension provision by the UK private sector employers, but this has changed, particularly over the past 15 years, with most private sector DB plans having been closed firstly to new members and more recently the future accrual of benefits. Increasing and unpredictable cost for employers (for example due to rising life expectancy, the prolonged low interest regime, variable investment returns, and growing regulatory burdens) have been the primary drivers of the decline in DB. The costs of DB provision in the UK are particularly inflexible because, unlike in some other countries, the law fully protects past benefits that have already accrued to members (it is not generally possible to reduce those benefits) and statutory minimum increases must also be provided on pensions in payment and in deferment.

6. Asset allocation

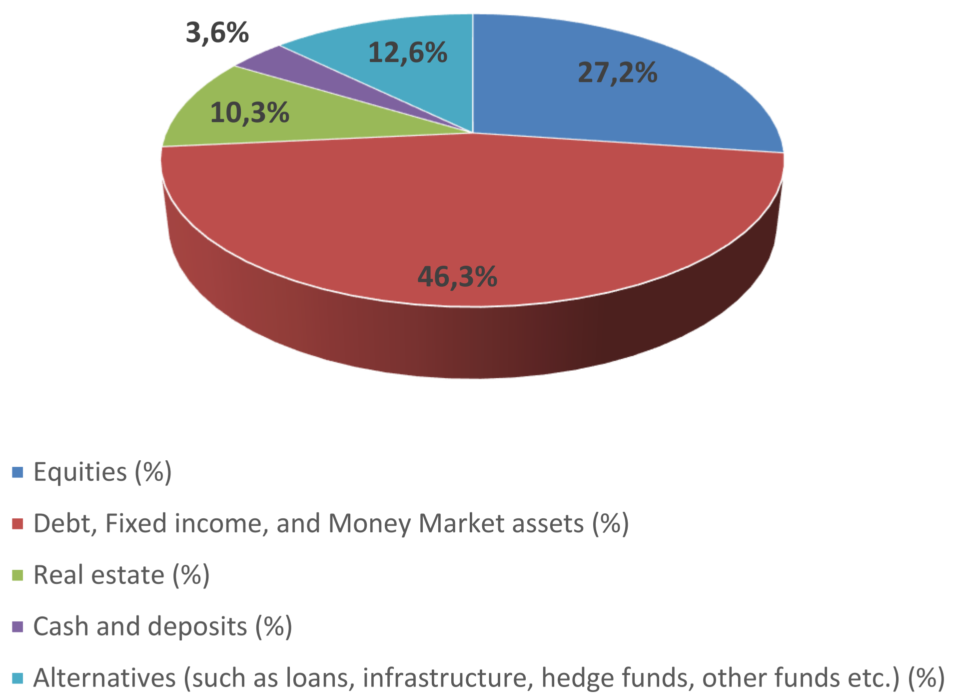
Pension funds

Pension funds play an important role in the long-term financing of the EU's real economy and thereby contributing to jobs and growth in Europe. According to PensionsEurope's research, in several countries pension funds invest a clear majority of their assets in the EEA and Switzerland. Pension funds are an important source of funding because they increase the amount of market-based financing available to the economy and improve the efficiency of financial intermediation. Countries with a substantial funded pension funds sector tend to have larger capital markets.

Many non-euro area investments can also have a positive impact on Europe indirectly, as many companies or part of their European business is financed via capital markets around the world. A growing, developing and stable economy attracts investments. If investment opportunities in Europe improve, the stake of the European investments by pension funds will increase accordingly. The CMU2.0 action plan would be very helpful in this respect.

In 2017, around half of the assets under management (3,6%+46,3%=49,9%) of pension funds that PensionsEurope Member Associations represent were in cash, deposits, debt, fixed income, and money market assets.

Figure 2. Asset allocation of pension funds



Other private pension arrangements

In addition to IORPs and other pension funds, PensionsEurope Member Associations represent also other private pension arrangements: book reserves, group insurance, and the 3rd pillar personal pensions.

Book reserves covering €354bn and 10.8 million people are represented in **Germany**, **Spain** (CNEPS), **Sweden** (Tjänstepensionsförbundet), and **Italy**. The book reserves are pension provisions that an employer realises on the company balance sheet to pay an occupational pension when an employee reaches the retirement age. In terms of liabilities, they are the most widely used type of occupational pension plans in **Germany**.

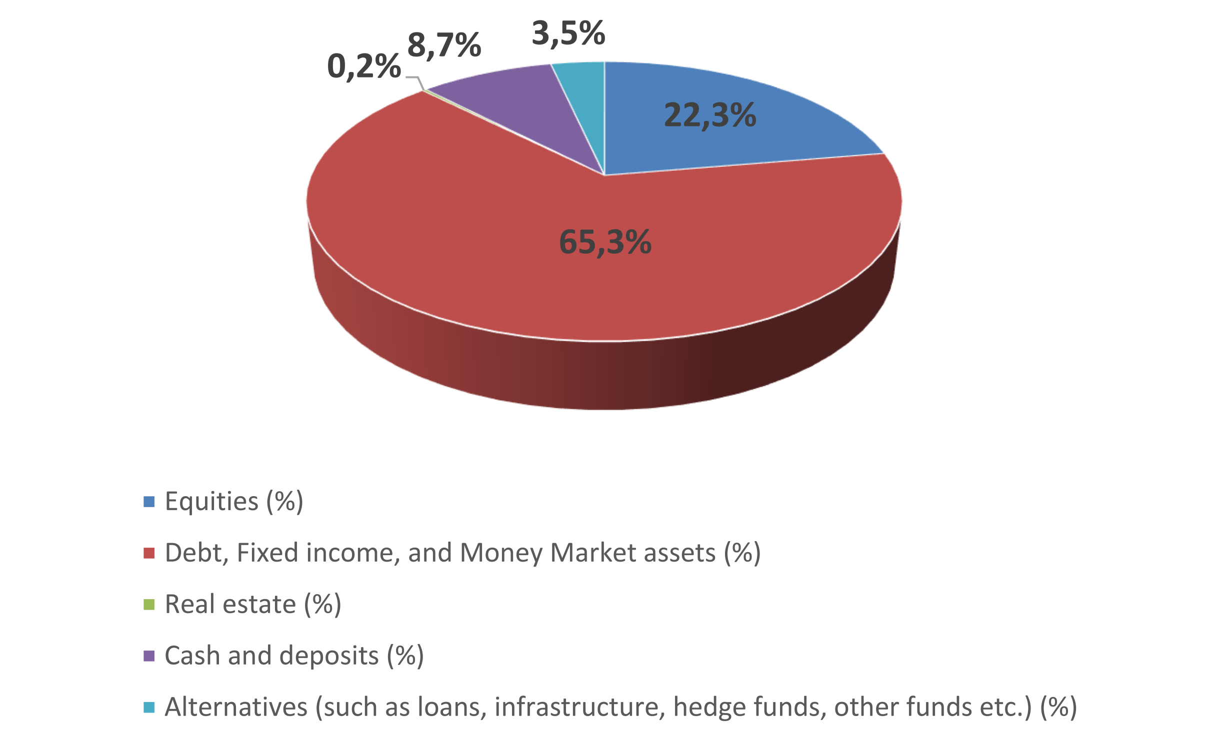
The German aba and the Portuguese APFIPP are the only Member Associations of PensionsEurope that represent group insurance. Since the aba is an occupational pensions association, it only represents group insurance if delivered as an occupational pension (direct insurance, Direktversicherung) which are quite popular vehicles for SME employers offering occupational pensions. Under a direct insurance scheme, an employer takes out a life insurance policy on behalf of an employee and pays contributions to the contract. The employee has a direct entitlement to the benefits accrued under the contract against the insurance company. Aba represents €65.8bn of assets and 8.1. million people that are covered by the direct insurance, and APFIPP represents the group insurance for 20,039 people and €0.29bn assets under management.

In 2018 and 2019, third pillar personal pensions were represented by 11 Member Associations of PensionsEurope: **Bulgaria**, **Croatia**, **Estonia**, **Hungary**, **Iceland**, **Italy**, **Portugal**, **Romania**, **Spain** (both the INVERCO and CNEPS), and **Sweden** (Tjänstepensionsförbundet). Over half, 56%, of the total amount of assets under management (€103.80bn/€184.06bn) and 45%[28] of people (7,568,827/16,669,987) are located in **Spain**. **Italy** covers the second largest proportion with 28% of the total amount of assets under management (€52,85bn/€184.06bn) and 26% of people (4,372,718/16,669,987).

The asset allocation of personal pensions differs somewhat from pension funds. In 2018, particularly the former had remarkably more assets under management in cash, deposits, debt, fixed income, and money market assets (personal pensions 65,3%+8,7%=74%, whereas pension funds 46,3%+3,6%=49,9%). On the other hand, pension funds invested significantly more (than personal pensions) in alternatives (12,6% vs 3,5%), real estate (10,3% vs 0,2%), but also equities (27,2% vs 22,3%).

[28] And even more as the number of people covered by personal pensions represented by CNEPS is unknown).

Figure 3. Asset allocation of personal pensions



The assets of personal pensions are expected to continue to grow significantly in the upcoming years, also thanks to the attention that the EU is currently paying to private pensions in the context of the CMU project, supporting the creation of a European legal framework for Pan-European Personal Pension Products (PEPPs). PensionsEurope has welcomed[29] this initiative and believes that the European framework for voluntary personal pensions is needed by and particularly useful for those who do not have access to workplace pensions such as the self-employed and workers in new forms of employment, or where personal pensions offered at the national level are not reliable or attractive. Particularly, the PEPP could be useful for young European citizens who increasingly often will have a career in multiple Member States. However, it is important that the PEPP will not negatively affect existing and well-functioning pension systems and that it will be flexible enough to adapt to the different business models of its potential providers.

Pension funds' investment strategy must balance risk, return and costs

Pension funds' investment strategy must balance risk, return and costs. Several drivers can spur a market shift in pension asset allocations, and they should not be considered independently, but rather as an ecosystem in which each driver influences the others. The main drivers of pension funds' asset allocation include asset and liability management, risk management, hedging against inflation, return on investments, hedging liability risks, and diversification. Pension funds invest in accordance with the

[29] See PensionsEurope Position paper on the pan-European Personal Pension Product (PEPP) (26 January 2018) and press release PensionsEurope welcomes the European Parliament's approval of PEPP (April 2019).

'prudent person' rule according to the IORP II Directive and/or in accordance with national regulatory investment requirements.
Pension funds' investment portfolios differ from many other institutional investors due to the long duration of liabilities, often an absence of early termination risks and different legislations. In general, pension funds invest more in private markets and international markets, whereas some other financial institutions invest more in fixed income.

Not only is asset class diversification crucial, but geographical diversification is also key to mitigate country or regional risks. This geographical diversification can lead to increased expected returns and better Sharpe ratio (risk-return). Traditionally pension funds have focused strongly on their domestic markets (equities and bonds). Nowadays pension funds invest more and more in international markets and in alternatives, even though the European pension funds are still very far from the allocation to alternatives which for instance the Australian and Canadian pension funds have in place. That said, in some countries (such as the **Netherlands**) this change has already taken place some decades ago.

The reasons for foreign exposure in investment strategies vary depending on risk tolerance and appetite, currency fluctuations, inflation, local market conditions, and diversification. In general, pension funds invest in international markets to reduce overall portfolio risks and to harvest different risk premiums. Furthermore, many countries have specific bias in their local stock market (e.g. financials or chemicals), and broadening the countries invested in also decreases sector and specific (company) risks. There are also other motivations for investing in international markets e.g. contain availability/access to attractive (price, quality, liquidity, transparency) foreign equity products and solutions. Not only the demand side matters, but also the supply side.

In countries with higher currency fluctuations, investments in local markets - including the exchange rate converted into the national currency/euro - are volatile. Hence, overseas investments are hedged against currency rate changes. Likewise, high inflation can motivate investments in assets abroad.

Asset pooling can help pension funds to manage their assets efficiently

During the last decade, asset pooling has become more and more popular amongst pension funds in some countries, whereas in some other countries it is not (yet) allowed (for instance in Croatia). It can help pension funds to find more effective ways to manage their assets and to have lower investment fees. Particularly, multinationals search for better governance and oversight by pooling the assets of their various pension funds, but increasingly smaller (including domestic-only) funds do the same.

In **Portugal**, the Portuguese pension funds' market was a pioneer in asset pooling with pension funds. Already for some decades the Portuguese legislation has allowed pension funds to pool assets for different pensions schemes, sponsored by different companies (not related) and/or individuals. In fact, the Portuguese open pension funds can be used as the funding vehicle for pension schemes of different companies (2nd pillar) and also from individuals (3rd pillar). As most Portuguese companies are SME's and they do have not have a dimension that allows them to create a dedicated pension fund, the solution that was implemented was the possibility for different companies / individuals to use the same pension fund to finance their pension schemes. At the end of 2018, open pension funds accounted for EUR 1.5 billion (7,8% of the Portuguese pension funds' market).

In **Germany**, asset pooling takes place in the area of occupational pensions across different vehicles within the same company, and multinationals also pool their pension assets across borders. The asset pooling between IORPs of different employers is very rare in Germany. However, most institutional investors invest in the German Spezialfonds (AIFM Directive[30]) which can be considered as asset pooling. They belong to a subcategory of investment funds, and in contrast to "Publikumsfonds" which are open to end investors, they are only open to institutional investors. Spezialfonds fall under the German asset allocation act (Kapitalanlagegesetzbuch) and they are supervised by the BaFin. Their regulation is less strict than that Publikumsfonds (which are UCITS) for private investors. One or several institutional investors may invest in a Spezialfonds. If the latter is the case, this might be considered asset pooling.

In **Italy**, the first experience of asset pooling was launched in the summer of 2019 when a group of five collective pension funds (the joint venture is known as Project Iride) was appointed as an asset manager for private equities with a focus on the Italian market. Pension funds will pool 216 million Euros and each pension fund will pool assets based on their SAA. The investments started from the beginning of 2020. Another Italian project of asset pooling is now in progress, but further analysis is needed before that venture will be ready to be launched.

In **Sweden**, pension funds are using asset pooling particularly in their investments in infrastructure, real estate and ESG investments. In **Belgium**, asset pooling is used by industry-wide multi-employer pension funds. Asset pooling is also expected to become more popular in the upcoming years in **Spain** (but not so far).

Pension funds must search for yield

During the last years, a search for yield has been a necessity for pension funds (except **Iceland** where, in general, interest rates are still positive, and assets have moved into that market rather than out of it). In other countries, the search for yield through the shift from traditional asset classes towards riskier investments has been necessary step for pension funds as this is in line with their primary objective to be able to provide for pensions (this is obvious for those who provide pensions with defined guarantees). Not searching for yield and remaining fastened to traditional investments, such as sovereign bonds, would have undoubtedly led to smaller pensions.

Pension funds have searched for yield from many various asset classes. For instance, in **Austria** pension funds have moved to search for yield from bonds to equities; in **Belgium** from government bonds to corporate bonds and other long-term investments; in **Switzerland** from bonds to alternatives. In **Spain**,

[30] See the Directive 2011/61/EU of the European Parliament and of the Council of 8 June 2011 on Alternative Investment Fund Managers.

pension funds have also searched for yield from short-term bonds, and in **Croatia** from fixed income (very gradually).
In the **Netherlands**, over the last five years there has been a small increase in percentage held in real estate, hedge funds and alternatives and a small decrease in listed shares. Investments in fixed income have decreased but on the other hand they increased in 2018 (above the level of five years ago). Investments in commodities have remained stable.

In **Germany**, currently important asset classes for Pensionskassen contain investments in investment funds, bonds and other fixed-income securities as well as registered bonds, promissory notes and loans. The German IORPs have been moving away from Euro bonds (and generally from investments which have higher ratings) to alternative assets, lower rated assets, and riskier assets. Collective investments (AIF and UCITS) are dominant in the portfolio of the German Pensionsfonds. It is expected that in the future investments are held longer by the German pension arrangements, and a continuation of the trend to outsource asset management.

In **Bulgaria**, it has been observed that there is a partial shift from cash and equivalents to government bonds with lower credit ratings and higher duration. The asset class of corporate bonds has also been slightly reduced in the portfolios of the local pension funds in favour of increased investments in G7 equity.

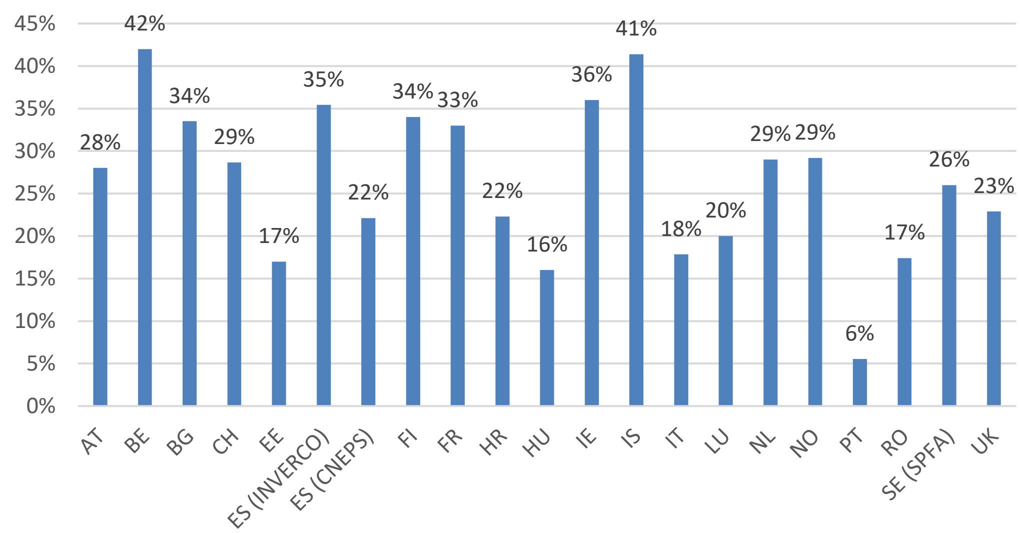
In some countries (such as **Italy**), there has been an increasing interest in illiquid assets (such as private debt, private equity, and real estate). However, in general in **Italy**, the portfolio of pension funds has been substantially stable over time.

Beyond pension funds' ordinary asset management and risk management, in general pension funds have not taken extraordinary actions concerning the envisaged low(er) growth in the upcoming years. In **Bulgaria**, initiatives to apply more de-risking measures and higher diversification have been considered. Investments in good quality securities (bonds and stocks) at sensible price levels form risk/return perspective, and more liquid and transparent regulated markets are favoured. In the **Netherlands**, the obligations have grown faster than the actual returns because of growth of the pension fund obligations due to low interest rates (obligations have to be valued using the low interest rates). This had led to low and in many cases negative buffers, and some pension funds are at risk of having to cut pension benefits.

Pension funds do not aim to make significant changes to the share of their investments in public equities in the upcoming years

In general, the share of pension funds' investments in equities varies significantly from country to county in Europe. Depending on (i) the definition of a pension fund, (ii) from where the data originates, and (iii) whether statistics contain data from DB and/or DC schemes, various statistics show different figures. Furthermore, (iv) some statistics contain only pension funds' direct holdings of equities, whereas some others include also their indirect holdings via investment vehicles etc. According to PensionsEurope Pension Fund Statistics 2019, the share of equity investments by pension funds varies from 6% (**Portugal**) to 42% (**Belgium**).

Figure 4. Share of equity investments by pension funds in various countries



In some countries, the share of pension funds' investments in equities has increased in recent decades and the main drivers have been low interest rates, a search for yield, and risk diversification. On the other hand, currently many equities are at all-time high (and there has been some turmoil in stock market), and a notable exception to increasing equity investments has been **UK** defined benefit pension schemes, where equities fell from 52.6% in 2006 to 36.8% in 2016, as schemes are continuing to de-risk.

According to PensionsEurope's survey report on drivers of equity investments by pension funds (September 2018)[31], pension funds do not aim to make significant changes to the share of their investments in public equities in the upcoming years. Some pension funds aim to continue increasing equity shares in their portfolios, whereas some others do not expect to make significant changes. Even though the percentage is not expected to significantly increase (certainly it could for individual pension funds), the amount invested in equities is expected to increase in the upcoming years and decades. Pension funds' liabilities will continue to grow, and the assets will do so accordingly.

In general, the equity exposure depends on the development of pension funds' solvency position (funding ratio) and solvency requirements. In good times, there is more room for equity investments (also for instance from the perspective of the Dutch supervisory framework nFTK). Supervisors consider increasing equity investments as riskier investment strategy and they prompt higher solvency margins and/or require ex-ante approval to change the risk profile of the investment portfolio.

[31] See PensionsEurope survey report on drivers of equity investments by pension funds (September 2018).

Pension funds continue playing a crucial role in fundraising in Europe

Pension funds provide more than a quarter of the investment into European private equity. In 2018, total fundraising for Europe reached €97.3bn and venture fundraising achieved €11.4bn (the highest level recorded to date)[32]. Pension funds provided 31% of all capital raised, followed by funds of funds & other asset managers (18%), family offices & private individuals (11%), insurance companies (11%) and sovereign wealth funds (9%).

According to the IORP II Directive, investments in all alternative asset classes may not exceed 30% of the total assets of the IORP. Any reform to IORPs' (capital) requirements could have an impact on IORPs and may deter investments into private equity.

Many pension funds are interested or planning to increase their investments in private equities. The private equity market can provide long-term investments with higher yields in a low interest environment. This makes private equity a suitable candidate for more investments in the upcoming years. At the same time, in some countries (such as the **Netherlands**) there is discussion e.g. about the risks associated to these investments, and possibly this could lead to declining investments.

De-risking has changed pension funds' asset allocation in some countries

De-risking of (DB) pension schemes is a global trend and it may take several forms. For instance, employers can choose to retain all assets and liabilities and manage volatility by aligning a portion of the pension scheme's assets (generally allocated to fixed income) to a portion of the liability. Employers can also choose to entirely eliminate the volatility and the interest rate and longevity risk by transferring the liabilities and assets to a third party.

In **Switzerland**, it is expected that in the upcoming years pension funds (both the DB and DC schemes) will transfer their asset risks directly to the insured persons (e.g. 1e pension plans) and beneficiaries (e.g. variable pensions). In **Sweden**, it is expected that DB schemes will continue to move to investing in alternatives, infrastructure and real estate with ESG focus and increased focus on the DD-process.

In **Germany**, de-risking is an important topic for sponsoring employers. As is internationally the case, many German employers have moved away from pure DB schemes, offered lower guarantees (in particular capital and increasing life expectancy, where e.g. the pension is calculated at the beginning of retirement rather than at the beginning of the contract) etc. to reduce their financial risks related to occupational pensions.

De-risking is also used for DC pension schemes. In **Bulgaria**, it is expected that the future de-risking will increase pension funds' interest in less risky assets such as government bonds. It might trigger further diversification in real estate or in alternative investments. Nevertheless, similar de-risking measures could and will dramatically affect expected yields of the DC pension schemes. In **Austria**, rising investments in shares, infrastructure, emerging markets, and private debt are expected, as the

[32] See "European Private Equity Activity Report 2018" by Invest Europe (of 3 May 2019)

performance is needed. In **Croatia**, it is expected that de-risking will increase the use of derivatives for hedging. In **Italy**, pension funds' asset allocation is slightly conservative implying a low level of risk. Equity investments represent 16% of total assets and illiquid assets (real estate, private equity, infrastructure, real estate) still represent a limited share of portfolio.

In the **UK**, as far as DB pension funds are concerned, the share of equity holdings has fallen markedly over the past ten years and it looks as though this trend will continue as UK funds look to an end point in 'journey planning' – often buy out. There is also a general trend towards de-risking as pension funds mature. In part, this is also driven by many sponsors wanting less volatility in the numbers reported on their balance sheet. Of course, there are exceptions to this rule with some sponsors being keen (perhaps keener than trustees[33]) to search for more return. On the other hand, DC funds will hold equities – probably in greater proportion than DB – through index tracking funds, lifestyle funds and Diversified Growth Funds. Few individual plan members are expected to actively 'self-select' funds with significant equity share.

Where DC schemes are important, and when they offer a choice of investments to their members, the proper design of default options can be key. For example, in **France**, thanks to a change in legislation, default options in DC schemes (PERCO and others) will progressively be life cycle funds (and no longer predominantly money market funds or capital guaranteed insurance contracts) and a positive impact on equity investing should follow suit.

[33] In the UK the decision on investments is in the hands of the trustees although they are required to consult with the sponsoring employer.

Share of sustainable investments continues to increase

PensionsEurope Member Associations and their pension funds expect that the share of sustainable investments will continue increasing in the coming years, and there are many reasons for that. In general, ESG (Environmental, Social and Governance) investments are becoming more are more mainstream, and there is an increasing awareness and interest in ESG consideration amongst pension funds and asset managers. Furthermore, national and EU legislations are increasingly encouraging and/or requiring pension funds to consider ESG factors in their investments. For instance in **Belgium**, pension funds have been required to communicate to what extend ESG factors are taken into account in their investments since 2004.

In the **UK**, recent proposals for legislative change are likely to see (at least) more and better assessment of particular investments against a yardstick of sustainability. Whether this results in 'real' sustainable investment or merely greater analysis (and categorization) of what might be considered sustainable remains to be seen.

Pension funds have various views about the impact on returns of taking longer-term sustainability interests into account. Many pension funds find that usually it does not make a significant difference in returns. Some find that possibly it leads to lower returns in the short-term, and potentially such short-termism is exacerbated by triennial valuation cycles, mark-to-market valuations, and short-term journey plan horizons. Moreover, the reporting requirements and management costs of ESG financial products is higher than plain vanilla market based financial products.

On the other hand, some pension funds would agree with the following statement of the European Commission Action Plan on Financing Sustainable Growth[34]: *it is important to recognise that taking longer-term sustainability interests into account makes economic sense and does not necessarily lead to lower returns for investors.* There is an increasing awareness amongst pension funds that including ESG consideration into asset management may reduce risks and possibly it leads to improved risk-adjusted return in the long-term. Availability of data, insights and track records are quickly increasing..

There are several reasons why pension funds take longer-term sustainability interests into account in their investments. Investing with a long-term horizon, it is important to take account of long-term risks and value drivers, including climate change and other environmental crises. Moreover, pension funds' members increasingly become engaged with how their savings are invested on their behalf. In some countries pension funds proactively reach out to members to ask them about their values and responsible investment believes. This leads some funds to incorporate non-financial objectives in their investment policy, such as specific carbon reduction targets, within the scope the risk-return objectives set out by the prudent person principle.

The European Union is currently examining how to integrate sustainability considerations into its financial policy framework in order to mobilize finance for sustainable growth and recently adopted two major Regulations that will reshape the rules of the game in the financial markets: the Taxonomy Regulation and the Sustainability Disclosure Regulation. Even if the design of the general framework

[34] See the European Commission Action Plan on Financing Sustainable Growth.

has been agreed, some important legislative developments are yet to be defined and must be well calibrated in order to ensure the effectiveness of the whole framework.

The ESG Taxonomy offers an assessment of whether activities are environmentally sustainable, which does not capture all responsible investment approaches. There are many best practices and approaches of how pension funds consider sustainability factors. For example, some pension funds use a best-in-class approach. Others put more emphasis on changing the behaviour of their portfolio companies through engagement. It is therefore important that having a high share of ESG assets under the taxonomy does not become synonymous with responsible investment.

The new European regulatory framework needs moreover to take account of pension funds' primary role of providing a retirement good income to their members and beneficiaries. In this sense, the new disclosure requirements should be applied in a proportional manner and recognize the materiality of information needed to ensure a good understanding of pension schemes by members and beneficiaries, avoiding a dilution of key information in extensive pre-contractual disclosures.

Finally, the lack of readily available, comparable, affordable and reliable ESG data on investee companies remains one of the main challenges while incorporating ESG factors in investment decisions. The ongoing efforts of the European authorities aiming at ensuring availability of ESG data on investee companies must ensure that pension funds as well as all investors in the financial markets have access to the necessary information in order to comply with the new disclosure requirements.

The EU should continue tackling the barriers for cross-border investments

Pension funds play an important role in financing the EU's real economy by providing capital to SMEs, corporates and infrastructure projects to grow and create jobs. Pension funds can play an important role in building a good Capital Markets Union (CMU) as they are investors in the real economy, in listed and private equity, venture capital and infrastructure. It is important that EU policies coherently support this. PensionsEurope has listed numerous actions that the EC and Member States should take and given policy recommendations on fostering long-term investments in infrastructure and real estate, on sustainable investments, and on the use of derivatives to hedge risks[35].

Particularly, the obstacles with the withholding tax (WHT) procedures pose a major barrier to cross-border investments in the EU and to build the CMU[36]. In order to boost the economic growth in the EU, PensionsEurope has called on the EC and Member States to remove all the WHT barriers to cross-border investments. This means that the EU Member States (i) shall respect the case-law of the Court of Justice of the EU, (ii) commit to the EC's recent Code of Conduct on WHT[37] and to follow it, (iii) reciprocally and automatically recognize pension funds, and (iv) ensure simple, transparent, and inexpensive WHT refund processes. Furthermore and importantly, PensionsEurope has proposed to

[35] See PensionsEurope answer to the European Commission's Capital Markets Union mid-term review.
[36] See PensionsEurope position paper on the withholding tax refund barriers to cross-border investment in the EU.
[37] See the EC Code of Conduct on WHT (November 2017).

the EC to establish an EU tax register of recognised pension institutions in order that Member States can reciprocally and automatically recognise pension institutions[38].

Besides removing barriers for cross-border investments in general, it is important that there are enough big infrastructure investment opportunities available across Europe that match pension funds' needs. According to PensionsEurope's survey, pension funds in several countries find that this is not the case. Furthermore, in some countries the rules to invest in infrastructure can be too restrictive (for instance in **Portugal** direct investments in infrastructure are not allowed). On the other hand, some smaller pension funds (for instance in **Belgium**) find that several infrastructure projects are too big for them, as the minimum amount to invest in them is very high. In addition, smaller pension funds would lack resources to follow up on these projects.

PensionsEurope is against the establishment of taxes on financial transactions[39], since such taxes, in their various typologies, end up becoming taxes on savings or pensions, in addition to affecting the efficiency of markets and producing a relocation in the financing flows of the real economy, towards companies established in non-taxed jurisdictions. The Financial Transactions Tax (FTT) would increase the costs, lower the returns and reduce the efficiency of the investment strategies of pension funds which will ultimately lead to lower benefits for pensioners. Furthermore, it would significantly reduce hedging activities of Europe's pension funds and companies, impacting pension returns, and increase the cost of capital for FTT-zone issuers. FTT-zone Member States would become less attractive and the movement of capital, particularly between the FTT-zone and the rest of the EU, would be impaired.

The FTT contradicts the EU strategy to create growth and foster investment in the EU, as it would severely affect pension funds in their roles as investors. The FTT would consequently have a negative effect on pension funds' ability to contribute to the CMU objectives. We firmly believe that the FTT would be detrimental to retirement savings and to the real economy. The EU wide FTT initiative should be withdrawn or otherwise at least pension funds should be exempt from its scope[40].

Pension funds are facing a challenge to find attractive investment opportunities in real estate and infrastructure

With pension funds diversifying their investment portfolios and searching for alternative sources of return, real estate and infrastructure can provide a defensive element in portfolios, and the potential for predictable cash flows and capital appreciation. The major challenges for pension funds and other investors in real estate contain a challenge to find attractive opportunities compared to some years ago. Gaining exposure for the right price has become increasingly challenging for them because of a limited supply of and increasing demand for institutional quality assets.

[38] See PensionsEurope position paper on smoothing WHT procedures beyond Code of Conduct - EU tax register of recognised pension institutions (March 2018).
[39] See PensionsEurope answer to the Spanish consultation on the draft law on the Financial Transaction Tax in Spain (November 2018).
[40] See PensionsEurope press release FTT would be detrimental to pension savings (November 2018).

Pension funds and other traditional investors invest in real estate/infrastructure in various ways, while unlisted investments in real estate funds is the most widely used. Private real estate funds e.g. provide low correlation with equities and bonds, and they decrease the sensitivity of pension funds' capital to the potential short-term market volatility of listed real estate investment trusts. Listed funds might experience short-term volatile price movements in turbulent markets.

In general, direct investments are illiquid in nature, and they require experience and have higher costs. Those are also the reasons why the rate of participation in direct real estate by pension funds has a big correlation to investor's assets under management.

Envisaged monetary has various impacts on pension funds' asset allocation

The envisaged monetary policy is expected to lead to various kind of changes in pension funds' asset allocation in the upcoming years. In **Austria**, investments in shares, infrastructure, and emerging markets will rise. In **Belgium**, it is expected that there will be increasing interest in infrastructure and other long-term investments. In **Croatia**, particularly decreasing portfolio allocation in fixed income is expected.

In **Bulgaria**, pension funds have started to observe the impact by increasing pressures to keep acceptable yield levels through minimizing the cash components, extending the duration of the bond and fixed income instruments in order to find plausible assets. They are concerned by the resulting increased risks in the portfolios since even though state bonds investments increase at the account of reduced corporate bonds, these developments materially uphold the level of the credit risks due to the declining credit quality (i.e. Investments in lower rated government papers and stocks but with acceptable positive yields).

In **Germany**, new investments or reinvestments are generally difficult due to prolonged low interest rate environment. Where possible, DB IORPs (particularly Pensionskassen) are decreasing their investments in euro bonds, while increasing their holdings in investment funds. Many IORPs will try to increase their holdings in alternative assets (real estate, private equity, private debt and infrastructure).

In **Italy**, in the long run, presumably no big changes will occur as pension funds' portfolio has always been largely allocated in bond securities. However, in the short run, it is plausible that duration of portfolios could be extended to benefit from the reduction in interest rates. During the last years there has been increasing interest in illiquid assets (private debt, private equity, and real estate funds) to find for alternative sources of yield. Even though more and more pension schemes have started to invest in them, their total allocation remains small.

In the **Netherlands**, there is an ongoing discussion on changing the pension system. Depending on the changes that are to be made in the upcoming years, this will have an influence on asset allocation, de-risking, possible asset pooling and even the number of pension funds. In general, the asset allocation of the Dutch DB/hybrid pension schemes is not necessarily linked to the expected interest rates, as they are determined by a risk-return balance. The expected volatility of assets determines the buffer that pension funds are obliged to have. No large changes in asset allocation resulting from the ECB programmes are expected. When it comes to the Dutch DC pension schemes, there are no buffer requirements, but the use of lifecycle in DC schemes determines the asset allocation. Therefore, the Dutch DC pension schemes do not expect large changes in their asset allocation either.

In **Switzerland**, on the investment side, the proportion of fixed-interest investments has been reduced in favour of equities and real estate in response to the persistently low level of interest rates. In addition, pension funds are once again becoming increasingly involved abroad and are taking care to hold as little liquid assets as possible - the share of liquidity in total fixed assets is currently at an all-time low.

In **Sweden**, based on the assumption that the low-interest environment will remain, it is expected that pension funds will have an increasing interest in alternative investments, such as private equity, real estate and infrastructure. In **Spain**, prolonged low interest rate environment will probably lead to savers choosing riskier options in their investment preferences. In **Hungary**, pension funds are not expecting significant changes in their investments in public equities in the upcoming years, but they expect that the share of sustainable investments will continue increasing.

Side effects of unconventional monetary policies

The new President of the European Central Bank (ECB) Christine Lagarde has promised to look more closely the negative side effects of the ECB's unconventional monetary policy. Accordingly, on 23 January 2020, the ECB launched review of its monetary policy strategy which will also encompass financial stability aspects.

Recently also the ECB's ex-President Mario Draghi has acknowledged and highlighted various negative side effects of the unconventional monetary policy. He has e.g. warned about bubble risk in the Euro zone[41], and said that the Euro area also faces some Japanification risk[42].

Due to low inflation and economic growth over the last years, the Central Banks, such as the ECB, have used unconventional monetary policies, including Quantitative Easing (QE) programmes, to tackle a number of challenges. In the eurozone, those challenges have e.g. included the following: (i) the European Member States have not carried out (all) the necessary (national) reforms, (ii) governments' economic policies (particularly fiscal policies) have contained various shortcomings/problems, (iii) Europe is rapidly ageing (demographic challenges), (iv) unfortunately the eurozone is not an Optimum Currency Area (OCA), (v) there have been (and there are all the time) various national political challenges in many Member States, (vi) geopolitical developments have created uncertainty, and (vii) there have been various other global challenges (such as trade wars), etc.

[41] See for instance the Reuters article "ECB's Draghi warns of bubble risk in the euro zone" (18 October 2019).
[42] See for instance the Bloomberg article "Draghi, Yellen Warn of Risks Facing Policy in Low-Rate World" (5 January 2020).

Today, over 11 years after the ECB started slowly lowering rates in October 2008, there is a growing acceptance that monetary policy has reached its limits and the point where it is limited by fiscal policy. In other words, many think that it is a turn of fiscal and structural policies to reinvigorate the European economies.

Economists are e.g. concerned (i) whether further decreasing already negative interest rates and restarting the quantitative easing measures can actually get the eurozone out of the low growth, low-inflation predicament it is in, (ii) doing whatever it takes to please the market is not necessarily the same as helping the economy grow, (iii) cutting interest rates further below zero could do more harm than good, even by encouraging investors to stash banknotes in a vault rather than submit to negative rates, (iv) the ECB did not announce an end date of its new APP (for its other APPs it announced an end date), (v) QE programmes damage ordinary economic and business cycles, and (vi) Europe will face the various similar economic and monetary policy problems as Japan over the last decades.

So far, unconventional monetary policies have had some effect, including various positive and negative side effects. That applies for pension funds as well.

Pension funds with long-dated liabilities have not fully hedged their interest rate risk. Some countries have Mark-To-Market (MTM) for the valuation of their liabilities implying impact of interest rate on liabilities, and then interest rate hedging becomes part of the story. Still that is a policy decision, including weighting returns and risks. But also, when not MTM, then there is a link to market rates (for instance, **Germany** has lowered discount rates various times in line with declining interest rates). In expected returns and supervision market rates do play a role. When MTM, lower interest rates increased the value of the liabilities more than the value of their assets. As a consequence of (interest rate hedging) choice by the pension fund, their funding ratios become increasingly difficult to maintain, increasing pension inadequacy risks (predominantly for future generations)[43]. Many pension funds have been forced to increase their interest rate swap portfolios in order to maintain their interest rate coverage ratio level. Furthermore, there is (artificial) high demand (by the ECB/APP) for very safe long-term bonds which exacerbates the situation.

[43] Also, lower interest rates decreased pension funds interest rate coverage ratios further.

The current situation leads to similar problems for DC and DB pension funds. DC pension funds do not have defined liabilities, and experience gains in the value of their bond holdings from the falling interest rates. However, the present investment environment is becoming increasingly difficult to obtain returns high enough. Furthermore, when DC pension fund participants purchase an annuity with their DC savings, they will find the annuity far more expensive because of low or negative interest rates. Therefore, in both DB and DC pension systems the contributions must be increased in order to meet adequate retirement ambitions.

On 12 September 2019, the ECB i.a. decided that in order to support the bank-based transmission of monetary policy, a two-tier system for reserve remuneration will be introduced, in which part of banks' holdings of excess liquidity will be exempt from the negative deposit facility rate. We are concerned (i) about compensating retail savers but not (institutional) pension savers, and (ii) that monetary policy is making a distinction, in compensating people, between people who put their pension savings on a bank account and people enrolled into a pension scheme. Effectively encouraging saving on bank deposits.

7. Pension funds' important stabilising role in the financial markets

Pension funds' investment behaviour is stabilising and countercyclical

Pension funds' countercyclical behaviour in the financial markets has been confirmed e.g. by financial literature[44], the results of EIOPA's IORP stress tests[45], and PensionsEurope's research[46]. For instance, Beetsma et al.[47] have found evidence pension funds having a stabilising influence on asset markets when rebalancing their investment portfolios if price movements drive the portfolio weights of specific asset classes too far from their strategic value. As long-term investors, pension funds are able to mitigate financial shocks and work as a stabilising factor for the financial sector.

Their long-term investment horizon allows pension funds to invest in asset classes that are not accessible to short-term investors, such as illiquid, private assets. In addition to higher expected

[44] See for instance the following studies on the financial markets in various countries: **Austria**: "Finanzplatz Österreich* Eine Strategie für Wachstum und Stabilität – Langfassung" by Christian Keuschnigg (Wirtschaftspolitisches Zentrum Wien und Universität St. Gallen, FGN-HSG) (2016); **Germany**: Cyclical investment behavior across financial institutions (2016) by Deutsche Bundesbank; **Hungary**: "Competitiveness Programme in 330 points" by the Magyar Nemzeti Bank (Central Bank of Hungary) (2019); **Italy**: Marè, M., Motroni, A., Porcelli, F. *Investment Strategies of Italian Pension Funds: contrarian or momentum?* That Working Paper of Mefop n. 40 and study is based on a sample of 14 Italian occupational pension schemes and considers quarterly purchases and sales of equity, sovereign and corporate bonds in the period 2005-2012; **Sweden**: "Stability in the Financial System" (2019) by Finansinspektionen; **Switzerland**: "Importance de la prévoyance financée en capitalisation: examen de la situation et perspectives" (2018) by the ASIP.

[45] See PensionsEurope Position Paper on appropriate IORP stress testing methodology and EIOPA IORP Stress Test 2017, PensionsEurope Position Paper on EIOPA's IORP Stress Test 2015 and PensionsEurope Position Paper on EIOPA's IORP Quantitative Assessment 2015 and EIOPA's opinion for Risk Assessment and Transparency for IORPs.

[46] See for instance PensionsEurope's annual statistical reports.

[47] See *"Systemic aspects of pension funds and the role of supervision"* in CESifo Forum 4/2016 (December) by Roel Beetsma, Siert Vos, and Christiaan Wanningen.

returns and potentially lower risks and diversification, these investments make a significant contribution to the European economy.

Pension funds' long-term horizon and their ability to follow contrary investment strategies support the proposition that pension funds can act as shock absorbers in the economy by providing liquidity and by not being forced to sell assets when asset prices are squeezed. Pension funds' investment strategies are very stable, including rebalancing to a strategic asset allocation that is focused on the long term and not largely impacted by intermediate market developments. It is important that legislation continues to allow pension funds' countercyclical behaviour.

It is important that adequate conclusions are drawn from the fair-market value of pension funds' assets, for instance when the values of equities drop in a financial crisis. This represents an excellent opportunity for long-term investors to buy, and therefore, pension funds should not be forced to sell when the value of their assets is at the lowest.

Pension funds' stabilising and countercyclical investment behaviour is expected to continue. The main risks to this behaviour are the growing popularity of low-cost passive investments (although the rebalancing/countercyclical behaviour could very well be continued) and the gradual shift towards DC/hybrid schemes instead of DB schemes (although many DC schemes pursue a lifecycle approach implying a countercyclical rebalancing strategy). Furthermore, legislative capital adequacy requirements or accounting rules may drive pension funds away from equities (including long-term sustainable investments) in favour of other investments (including sovereign bonds).

Private pension savings help in financial risk sharing and they lead to deeper and more efficient financial markets

Pension funds have also an important role in private financial risk sharing in the euro area, which has been recently stressed e.g. by the ECB[48]. Accordingly, research has concluded that there should be much more private pension savings (and particularly in equities) in order to improve financial risk sharing[49].

Pension savings lead to deeper and more efficient capital markets, as they increase funds in capital markets available for private investment. Furthermore, deeper capital markets lead to better allocation of capital, thereby improving overall efficiency and economic growth[50].
Pension funds' investments in the capital markets lead to lower yields on (government) debt, providing leeway in government budgets. This creates an opportunity to invest in sustainable projects and to do necessary reforms for the future. Therefore, it is most wise to not use these lower yields to increase borrowing for the short term.

The European pension funds invest a clear majority of their assets in Europe[51], and they are an important source of funding because they increase the amount of market-based financing available to the economy and improve the efficiency of financial intermediation. Countries with a substantial funded pension funds sector tend to have larger capital markets and less dependency on funding of economy by banks.

Many non-euro area investments can also have a positive impact on Europe indirectly, as many companies or part of their European business is financed via capital markets around the world. A growing, developing and stable economy attracts investments. If investment opportunities in Europe improve, the stake of the European investments by pension funds will increase accordingly. Deciding upon and implementing an ambitious CMU2.0. action plan[52] would be very helpful in this respect.

[48] See for instance a speech by Luis de Guindos, Vice-President of the ECB, at the occasion of the joint conference of the European Commission and the European Central Bank on European financial integration and stability, Brussels, 16 May 2019.
[49] See for instance a presentation "Financial integration, capital market development and risk sharing in the euro area" by Philipp Hartmann (Deputy Director, General Research, the ECB) at the event of the Belgian Financial Forum on 14 May 2018.
[50] See also Wurgler, J. (2000). Financial markets and the allocation of capital. Journal of Financial Economics, 58(1), 187–214, and the ECB contribution to the Capital Markets Union mid-term review (2017).
[51] According to PensionsEurope Pension Funds Statistics, in several countries pension funds invest a clear majority of their assets in the EEA and Switzerland.
[52] According to the 2020 Commission Work Programme, the EC will publish its Action Plan on the Capital Markets Union in Q3 of 2020.

Annex: PensionsEurope Member Associations

Austria
Fachverband der Pensionskassen
Wiedner Hauptstrasse 63
1040 Vienna
Tel: +43 5 90 900 4108
www.pensionskassen.at

Belgium
PensioPlus VZW
Auguste Reyerslaan 80
1030 Brussels
Tel: +32 2 706 8545
www.PensioPlus.be

Bulgaria
Bulgarian Association of Supplementary Pension Security Companies
12A Chumerna Str., fl. 2
1000 Sofia, Bulgaria
Tel: (+359 2) 980-76-45
e-mail: baspsc@pension.bg, office@pension.bg

Croatia
Udruga društava za upravljanje mirovinskim fondovima i mirovinskih osiguravajućih društava
Hektorovićeva ulica 2
Zagreb
Croatia
Tel: +385 (0)1 644 82 12
www.umfo.hr

Finland
The Finnish Pension Funds
Kalevankatu 13 A 13
00100 Helsinki
Tel: +358 9 6877 4411
ismo.heinstrom@esy.fi
https://esy.fi/

France
Association Française de la gestion financière – AFG
41, Rue de la Bienfaisance
75008 Paris
Tel: +33 1 4494 9414
www.afg.asso.fr

Germany
Arbeitsgemeinschaft für betriebliche Altersversorgung – aba
Wilhelmstraβe 138
10963 Berlin
Tel: +49 30 3385811-0
www.aba-online.de

Greece
Association of Mandatory Occupational Pension Funds
56 Chalcocondili Str.
10432 Athens
Greece
Tel: +30 210 528 95 58
Fax: +30 210 528 95 77

Hungary
National Association of Voluntary Funds
Merleg Str. 4
1051 Budapest
Tel: +361 429 7449
www.penztar-szovetseg.hu

Iceland
The Icelandic Pension Funds Associaton
Gudrunartun 1
105 Reykjavik
Iceland
Tel: +354 563 6450
https://www.lifeyrismal.is

Ireland
Irish Association of Pension Funds – IAPF
Suite 2, Slane House
25 Lower Mount Street
Dublin 2
Tel: +353 1 661 2427
www.iapf.ie

Italy
Mefop - Società per lo sviluppo del Mercato dei Fondi Pensione
Via Aniene 14
00198 Rome
Tel: +39 06 48073530
www.mefop.it

Luxembourg
Association of the Luxembourg Fund Industry
12, Rue Erasme
L-1468 Kirchberg, Luxembourg
Tel: +352 22 30 261
www.alfi.lu

Netherlands
Pensioenfederatie
P.O. Box 93158
2509 AD The Hague
Tel: +31 30 212 9034
www.pensioenfederatie.nl

Norway
Pensjonskasseforeningen
Postboks 2417 Solli, 0212 Oslo

(Hansteens gt. 2, 0253 Oslo)
Tel: +47 901 16 348
www.pensjonskasser.no

Portugal
Associação Portuguesa de Fundos de Investimento, Pensões et Patrimónios – APFIPP
Rua Castilho, N° 44 – 2°
PT – 1250-071 Lisbon
Tel: +351 21 799 4840
www.apfipp.pt

Romania
Romanian Pension Funds' Association – APAPR
c/o Sediul ING Pensii
Str. Costache Negri nr. 1-5, Etaj 2
Postal code 050552, Sector 5, Bucharest
Tel: +40 21 207 2172
www.apapr.ro

Spain
Asociación de Instituciones de Inversión Colectiva y Fondos de Pensiones – INVERCO
Príncipe de Vergara, 43 – 2° izda
28001 Madrid
Tel: +34 91 431 4735
www.inverco.es

and

Confederación Española de Mutualidades – CNEPS
c/o Santa Engracia 6 – 2° izda
28010 Madrid
Tel: +34 91 319 5690
www.cneps.es

Sweden
Svenska Pensionsstiftelsers Förening (SPFA)
C/O Konsumentkooperationens pensionsstiftelse
SE 106 60 Stockholm
Sweden
Tel: + 46 8 613 36 82

and

Tjänstepensionsförbundet - C/O Sparinstitutens pensionskassa – SPK
Box 54
101 21 Stockholm
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www.tjanstepensionsforbundet.se | info.tjanstepensionsforbundet.ext@spk.se

Switzerland
Association Suisse des Institutions de Prévoyance – ASIP Schweizerischer Pensionskassenverband
Kreuzstrasse 26
8008 Zürich
Tel: +41 43 243 7415
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United Kingdom
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