PENSIONS EUROPE

PensionsEurope's answer to the EIOPA call for evidence to inform the development of a DC pensions toolkit

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www.pensionseurope.eu

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Question 1. What financial incentives (e.g. tax advantages) and non-financial incentives (e.g. auto-enrolment) should the design of the supplementary DC pension system contain to ensure high participation? How can young people be incentivised to save in DC pension systems as early as possible and with sufficient contributions?

PensionsEurope believes that financial incentives are a key component for guaranteeing broad participation in supplementary pensions. We also believe that, given the diversity of pension systems across Europe and in particular the role of the three pillars, the design of the incentive structure should be left to the respective Member State.

Tax incentives such as tax-deductible contributions for members and employers and exempt investment returns are essential for occupational pension plans as they enable and encourage participation. A stable and predictable legislative and tax framework are key elements, and changes should only apply to future accruals. Tax incentives are key to occupational pension plans because sponsors (and members) contribute during the whole career and only are able to benefit from these contributions once the member reaches the retirement age.

As far as ensuring participation from younger people is concerned, we point out that at the beginning of their working lives, most workers have a rather modest income (especially after taxes and social security contributions) and therefore not a high capacity to save. Matching contributions from the employer or the state have the potential of motivating young people (and low-income earners in general) to start saving for retirement. Other than that, enrollment and the collection of contributions should be as simple as possible. Progress should be regularly demonstrated. Visibility of benefits is important and can be done with visual tools to show compound growth and retirement projections. There are various ways to enable pension savings such as allowing very small initial contributions to build a habit. Trusted advice can help as well as the promotion of stories of young savers.

In personal pensions a temporary and/or permanent cessation of contribution payment should not have a significant impact on the accrual of pension rights. The guarantee that personal contributions may be withdrawn at any time (after paying back the tax incentives and, if applicable, direct subsidies which were made use of upon contribution payment), provides an additional “availability” impetus for participation. Imposing other restrictions on temporary pauses/withdrawals would be counterproductive for the expected participation rate increase.

Due to the long-term nature of pension plans not only tax incentives are important but also a stable legislative framework including the rules on taxation. The rules on benefit payout (withdrawal) and taxation of benefits should not alter during the career of the individual, and if they change those changes should only apply to accruals link to future service (and future contributions).

Auto-enrolment has been a successful non-financial incentive to increase participation in several countries and inertia has proven to be more effective than active choice to join supplementary pension scheme. However, given the heterogeneity of arrangements, it appears difficult to identify best practices that can be easily replicated across the EU. A gradual introduction like in the UK – where it starts with large companies and then the circle is gradually expanded – seems helpful.

Employer-matching contributions and state subsidies for low-income employees (as seen in Germany) are powerful financial incentives. In Belgium the minimum investment guarantee in DC plans helps pursuade employee representatives to establish occupational pension plans. This guarantee is provided by the employer and not the pension institution. Also other incentives could be used such as Start-up bonuses: One-time employer contributions when someone opens a pension account or Loyalty bonuses: Additional contributions for consistent saving over time.

Finally, information plays a key role and tools like a Pension Tracking Service covering all pillars and institutional communication campaigns on pension issues (especially on social media) would be important. Communication must emphasize the profound impact of starting contributions early due to compound returns, especially in the context of increasing life expectancies.

Question 2. How can the design of supplementary DC pension systems ensure that contributions are sufficiently high to ensure that DC members receive adequate retirement income?

Sufficient disposable income is needed to be able to adequately save for retirement. Adequacy cannot be achieved solely through enrollment mechanisms. When individuals have to determine themselves the contribution to be put into a personal pension those contributions will in most cases be insufficient to accumulate an adequate pension.

Occupational pension systems with compulsory participation negotiated through social partners have the potential to provide an adequate pension to the members. However, governments need to provide incentives to social partners to allow adequate pensions to be developed. Contribution arrangements embedded in collective agreements hold significant promise because they often provide joint financing by employers and employees, helping to establish better contribution levels. In Italy, for instance, the use of the Trattamento di Fine Rapporto (TFR-severance payment) allows for a significant contribution level (about 7% of the monthly wage), and the payment of an individual premium would also trigger the employer contribution.

Importantly, Member States should avoid regulatory features that weaken long-term contribution capacity. Indeed, mechanisms that facilitate routine early withdrawals, as happens in Spain with the 10 year rule, force schemes to hold excessive liquidity, reducing investment capacity and ultimately undermining adequacy. Liquidity tools must therefore be reserved for genuinely exceptional circumstances. Equally, legal limits on contributions beyond tax-deductible thresholds restrict the ability of individuals to save more and directly impair adequacy.

It would be important for Member States to develop an institutional communication campaign that allows citizens not only to shade light on the status of their pension accumulation, but also to understand how supplementary pensions work.

It is important to define adequacy at the national level in order to give members clear and tangible savings targets. Simplifying the decision process - for example, by limiting contribution-rate options - can also help to nudge toward more sufficient contribution levels.

In addition, DC pension systems should operate cost-efficiently to achieve adequate retirement income for their members and beneficiaries. This is typically achieved via collective systems, which are characteristic of occupational pensions in many Member States. This applies if the pension funds are set up by the employer and/or social partners based on the paritarian model. As occupational pensions are usually tied to an employment contract, they typically have little to no distribution costs. For this reason, governments need to provide incentives to social partners to allow adequate pensions to be developed.

Question 3. What role should respectively occupational pensions and personal pensions play in the design of supplementary DC pension systems in order to provide a stable and secure retirement income? What should be the role of employers and/or the social partners?

Occupational pensions (both DC and DB), particularly those established by employers or by social partners through collective agreements, play an important role in many Member States and offer advantages such as economies of scale, professional governance, and, in many cases, joint financing by employers and employees, which supports adequacy. Collective arrangements ensure that scheme design and investment decisions are taken jointly by social partners and managed in the interests of members and beneficiaries, with risks shared collectively.

Those who do not have access to adequate occupational pensions or have not accrued them need viable alternatives to save for retirement. Personal pensions can therefore play a crucial role at the broader retirement landscape.

Occupational and personal DC arrangements each operate within diverse national systems, and their advantages depend on national labour markets, tax frameworks, and social policies. For this reason, any future design should respect the local traditions and circumstances in each Member State. In Italy, for instance, the boundaries between the second and third pillars are very blurred, as individuals are free to join either a second- or third-pillar scheme while benefiting from the same tax treatment, contribution conditions, disclosure requirements and pay-out options. Second- and third-pillar schemes are subject to the supervision of the same supervisory authority. On the contrary, the tax and social security framework in Germany differs significantly between the second and third pillars. Both second- and third-pillar schemes should have the objective of providing members with an adequate retirement income.

Regarding occupational pensions, the role of the social partners should be to ensure that IORPs are able to provide their members with good level of protection. In some Member States, the social partners also play a prominent role in providing information on the state of pension systems and on the functioning of supplementary pensions.

Bulgaria has established auto-enrollment for all the new labour market entrants into a fully funded DC supplementary scheme with individual accumulation accounts. As mandated by law, the contributions are centrally collected by the National Revenue Agency, and there are no fears about any market distortions. In DC markets where due to historical reasons social partners have not had a role in the set up and governance of pension schemes, and yet such schemes have already reached maximum coverage on individual basis (with both employer and employee contributions) a recommendation for increasing the role of social partners may serve as grounds for claims to reconfigure the existing DC provider infrastructure. Such an unconditional recommendation could have a negative impact, especially on DC markets in former socialist economies where trade unions have not yet rebuilt public trust due to the still vivid reminiscences of their servicing the former regime.

Topic 2: Participation and contribution persistency of specific groups

Question 4. How can supplementary DC pensions be designed to encourage pension participation and contribution persistency of specific groups of workers that often do not have access to occupational pensions, particularly the self-employed and workers with non-standard contracts? How can financial and non-financial incentives be adapted to non-standard workers and the self-employed?

Labour market changes, including greater mobility, flexible work patterns, and self-employment, are contributing to the growing relevance of DC pensions. The extent to which personal pension products and occupational pensions schemes have to be designed to fit the needs of non-standard workers and the self-employed is to be decided at the national level, in relation to the adequacy of the 1st pillar social security pensions. It is important to analyze how various rules such as on taxation, disclosure, accumulation and decumulation apply to different types of employment relations and how they may encourage or discourage participation and contribution levels. Also, how statutory and supplementary pensions are linked, can in some countries be an incentive for self-employed as e.g. in Italy the length of the accumulation phase in a second or third pillar can be considered for the purpose of the eligibility for retirement (age requirement).

Those who do not have access to occupational pensions require viable alternatives to save for retirement. Good quality personal pension products are needed. In this context, national frameworks may also wish to ensure that self-employed workers can participate effectively in supplementary pensions, either through tailored personal pension schemes or through sector-based arrangements. Ensuring that incentives—both tax and non-tax—are designed in an equitable manner across different forms of employment can help promote participation. At the same time, greater flexibility in contribution conditions may be appropriate for workers with irregular income patterns, including the self-employed. Non-financial measures such as targeted information campaigns, financial education initiatives, and the provision of relevant information through pension tracking systems (PTS) may further support awareness and sustained contribution behaviour.

Financial and non-financial incentives should be decided at the national level to take into account national specificities.

Finally, PensionsEurope believes that the decumulation frameworks should provide flexibility while including safeguards to prevent individuals from exhausting their savings prematurely.

Question 5. Should there be strategies in place to encourage pension participation and contribution persistency of people of working age, and most notably women, who take a career break or are otherwise inactive (e.g. carers), in unpaid work or unemployed and, if so, what strategies?

The design of Member States' pension systems should be inclusive. Adequacy depends on persistent and adequate contributions and capital returns. Career breaks affect more women than men and thus they need additional solutions which can be financed with solidarity within a pension scheme or as part of social security pensions. Also, favorable tax treatment (with some flexibility) can support participation and contribution persistence during various career breaks. It is up to Member States to find solutions that best fit their respective context.

Question 6. Are there other specific groups, such as individuals from ethnic minority backgrounds and those with disabilities at risk of accruing no or insufficient statutory pension rights over their working life and, if so, what strategies could encourage pension participation and contributions persistency in supplementary DC pensions for these people in particular?

The DC scheme design should be inclusive but there are groups which have lower formal labour market participation for various reasons and thus will not accrue sufficient statutory pension rights and can have a high risk of old-age poverty. There is a need to encourage pension participation and saving for retirement within the financial needs possible and these strategies should be focused on income, not on the factors mentioned in this question.

In some Member States, such as Germany, there is a subsidy for employers paying contributions to the occupational pension plans of their low-income employees financed by the state.

Topic 3: Scale and portability

Question 7. Should economies of scale be considered in the design of supplementary DC pensions, most notably to enhance efficiency and raise retirement benefits of DC pension savers? If so, how and through which area(s) of the supplementary DC pension system (or value chain) can its design effectively generate scale? Is there a trade-off between the promotion of scale and competition?

Bigger scale can enhance efficiency in areas such as asset management, administration, and governance. However, smaller providers can and do compensate scale effects through good service providers (outsourcing) or their investment strategy – e.g., by investing via AIF which have the required scale to build a very broadly diversified portfolio. Hence, there should be no external push for consolidation.

In Belgium industry wide pension plans provide considerable economies of scale due to the integration with Social Security systems. This allows for a high level of automation and as such extremely low administration costs.

Asset pooling and mandates make it possible to achieve considerable economies of scale. In Italy, for instance, where the AUMs of IORPs is still limited, several asset pooling initiatives have been established to invest in alternative assets. By law, Italian IORPs manage assets through fiduciary managers, selected via a transparent and law-based process. Competition among asset managers contributes to maintaining low fees.

Question 8. Should the design of supplementary DC pensions allow for switching between providers within national systems and, e.g. to facilitate labour mobility across Member States, portability across borders in the EU and, if so, how?

There is a general trade-off between maximum portability and the benefits associated with investing with a long-term perspective. PensionsEurope believes that the focus should be on promoting long-term investment, as this provides better returns.

Nevertheless, switching between providers can be an option for some. In Italy, for instance, one can choose between an occupational pension and a personal pension fund and may subsequently transfer to another pension fund, within the regulatory framework established for the exercise of the right to transfer. For this practice to be carried out smoothly and without penalising the transferring members, full comparability of supplementary pension schemes has been ensured.

Cross-border transfers are complex to implement because of the difficulty of comparing different pension arrangements. In principle, however, in the case of DC schemes, cross-border portability would be feasible and should be simpler than in DB pensions as the full funding requirements would not apply.

Question 9. How can switching and portability be balanced with the need for long-term investments (e.g. illiquid assets) and the need for scale in supplementary DC pensions? Are there specific considerations on switching and portability within the second pillar, within the third pillar and between the second and third pillars?

The right to transfer pension entitlements to another pension provider (second or third pillar) can be balanced with the long-term investment horizon of a pension scheme by incorporating into its investment models an estimate of the probability of transfer to another pension scheme.

The question of who selects the provider is central to supplementary pensions. In occupational pensions, this is typically the employer or the social partner, and in personal pension products, this can be individual or also the employer if employer contributes to personal pensions.

In many countries, members have no choice on the provider of their supplementary pension scheme or the „product". PensionsEurope believes that EIOPA should differentiate between individual and collective DC, presenting the respective advantages and disadvantages. As explained above, there is a general trade-off between maximum portability and the benefits associated with investing with a long-term perspective. PensionsEurope believes that the focus should be on promoting long-term investment, as this often provides better returns.

Topic 4: Design of the accumulation and decumulation phase

Question 10. What are the key features that should be covered in the design of the accumulation phase of DC pensions? Should the design prescribe measures, or provide DC members the choice of options, to mitigate investment risk, such as life cycling, guarantees and collective risk-sharing arrangements to smooth returns? Should DC members be provided with choice, i.e. investment options possibly combined with a default option, or will one investment strategy suffice for all members?

A well-designed default investment strategy is essential, as evidence has shown that most members remain in the default option. The default is typically structured as a life-cycle strategy that gradually de-risks as members approach retirement, helping to manage volatility and sequencing risk. Collective DC arrangements often refrain from using a life-cycle strategy, as they offer advantages through risk-pooling and cost efficiency. While schemes may offer a limited range of additional investment options for more engaged members, the core default must be robust, appropriately designed, and suitable for the majority who will not make an active investment choice. In the case of many IORPs, the investment strategy is determined in committees with the involvement of members and beneficiaries – i.e. individual members do not make investment decisions. In occupational pension plans, social and labour law determine the rules and regulations on plan design, rules and regulations that apply to the accumulation and decumulation phase. These take into account the national context.

Individual choices may lead to complexity and higher costs. In certain countries, in the accumulation phase the providers of DC pensions could offer members different options. Choosing between different options may act as an incentive to join the plan. In Italy, for instance, supplementary pensions offer various investment options. The underlying level of risk must be determined considering members' retirement needs, also in the light of the first-pillar pension. In Italy, to help members in choosing the best option, prospective members can answer to a self-assessment questionnaire to identify the option best suited to them. This questionnaire is also available at any time in the restricted area of the pension fund's website and may be answered again over time to assess whether to change investment option.
An increasing number of supplementary pension funds allows members to join in a life-cycle path or in predefined combinations of options. Where no investment option is chosen, members are by default enrolled in balanced funds or life-cycle strategies. A guarantee is provided for members who join through automatic enrolment; however, this arrangement is proving to be of limited benefit to the members concerned, both because of the high costs associated with the guarantees and the limited returns on investments.

Question 11. What are the key elements that should be considered in the design of the decumulation phase of DC pensions? Should the design prescribe a specific payout strategy or should DC members have a choice between different types of pay-out solutions, such as annuities, programmed withdrawals and lump sums, possibly combined with a default strategy? What payout strategies can effectively help DC pension savers secure adequate retirement income? Should DC members be allowed to withdraw pension savings before the retirement age for specific purposes, like buying a house, and, if so, under what conditions?

Adequate designs of the payout phase depend on national circumstances and should therefore be decided at the Member State level. However, due to demographic trends in the EU, we believe that the preferred default option should be to provide a lifetime income. In occupational pension schemes, social and labour law determine the rules and regulations on plan design. Those rules and regulations apply to the accumulation and decumulation phase and depend on the national context.

Flexibility can be offered through partial, deferred, or delayed lifetime income combined with programmed withdrawals. Full lump sums should generally be discouraged except for very low balances. Early access should be strongly discouraged, as it fundamentally undermines the pension's objective and can leave individuals with less or no retirement savings, potentially shifting the burden to social assistance systems. However, it has to be recognized that valid reasons for early withdrawals can be possible and necessary within the social protection structure of a Member State and this needs to be considered.

Question 12. Are there interdependencies that should be considered in the design of the accumulation and decumulation phase? If so, what are these interdependencies and how should they impact on the design of the accumulation and decumulation phase to ensure that DC pension savers secure adequate retirement income?

There are critical interdependencies between the accumulation and decumulation phases, noting that good outcomes depend on how the value built up is ultimately converted into retirement income. In large collectives that characterize occupational pension schemes in some Member States, the integration of the accumulation and decumulation phase can lead to even more efficiency, further risk mitigation, and hence higher benefits. In occupational pension schemes, social and labour law determine the rules and regulations on plan design. Those rules and regulations apply to the accumulation and decumulation phase and depend on the national context.

PensionsEurope believes that if individual members can make choices regarding the decumulation of their pension plan, they must receive clear and timely communication well before retirement so they can understand and consider their options. Finally, PensionsEurope believes that both phases should be designed to support sustainable retirement income and that the decumulation stage is a pivotal point in the saver’s journey.

Topic 5: Value for Money

Question 13. How can Value for Money be measured and assessed effectively and consistently across supplementary DC pensions and what quantitative and qualitative criteria (or indicators) should be used for assessing value for money, distinguishing between the strategies offered for the accumulation and decumulation phase? How can supervisors create and publish composite benchmarks for DC pension plans on the basis of such criteria to improve transparency and competition?

In order to come up with a meaningful benchmark for Value for Money, one has to compare the entire portfolio of services that an institution offers. We wonder whether this is feasible and reasonable, especially for a supervisory body. Furthermore, we point out that occupational pension schemes (both DC and DB) are not available to everybody - there is no universal access to occupational pension schemes. Comparability is therefore of limited value.

According to the key messages (on page 26) from our "Road to DC" Report published in April 2024, Value for money in DC pension schemes goes beyond focusing solely on low costs. We stress that while costs and charges directly affect members' outcomes and must be monitored carefully, an exclusive focus on low fees risks undermining wider value, quality, performance, and service delivery. Collective DC schemes often achieve better value due to economies of scale and their focus on acting in members' best interests.

An assessment of Value for Money in DC pension schemes should rely on standardized metrics and indexes for costs, returns and risks, as well as an integrated approach that considers both quantitative and qualitative indicators, with a clear distinction between the accumulation and decumulation phases.

We also highlight the Dutch experience, where transparency of costs has proven effective in controlling administration and asset-management expenses and helping social partners assess whether schemes are cost-effective. At the same time, many countries use fee caps, but these must be set at an appropriate level: if caps are too high, savers may not receive good value; if too low, providers may shift to suboptimal investment strategies or reduce service quality.

The Italian supervisor made a big effort to achieve a standardised measure of costs during the accumulation and decumulation phases. Costs, past performance, benefit projections, and information on the risk of investment options are part of information to be provided to prospective members, members, and beneficiaries. Particular attention is given to costs: they must be disclosed in a dedicated document (Scheda Costi). The Key investment document at enrolment includes the Scheda Costi and must be submitted to prospective members before they join the plan. The Scheda Costi distinguishes between accumulation and decumulation costs. Moreover, the costs related to the accumulation phase must be grouped into four categories: upfront costs, costs directly borne by members, investment-related costs, and early withdrawal costs. To facilitate cost comparisons and benchmarking, the National Supervisory Authority has introduced the Indicatore Sintetico di Costo (Synthetic Cost Index – Isc). The methodology to calculate the index is uniform for all providers of supplementary pension schemes and measures the impact of all costs during the accumulation phase on the pension entitlements over four different time horizons: 2 years, 5 years, 10 years, and 35 years. The Isc is calculated for each investment option and is shown in both a table and a chart. The chart helps prospective members compare the Isc of the chosen option with the average Isc of similar investment options (in terms of risk and return) available on the market. Online tools provided on the website of the National Competent Authority allow citizens to compare ISCs through the so-called Comparatore dei costi and to access and download the Scheda Costi of all supplementary pension schemes. The Key investment document also contains data on the past performance of the investment options, both on a yearly basis and as aggregated data over the following periods: 3, 5, 10, and 20 years. Performance data are always compared with the corresponding benchmark. Yearly National Competent Authority updates on its website the performances of the investment options. The Key investment document includes a standardized benefit projection, calculated on the basis of the assumptions established by the National Competent Authority.

Overall, value for money requires considering both costs and the broader elements that contribute to good retirement outcomes.

Question 14. Are there any specific scheme design features or innovations that could improve value for money in supplementary DC pensions, distinguishing between occupational and personal DC pensions and the accumulation and decumulation phase?

We believe that collective occupational DC schemes operated by entities which are established by employers and/or social partners, pursue a social goal (paying adequate pensions) and do not operate for their own profit provide the best outcomes to their members and beneficiaries.

This is highlighted in our "Road to DC" report (on pages 17 and 26), where it is emphasized that collective DC schemes (such as those in the Netherlands, Denmark, and Germany's social-partner model) are more cost-efficient than individual DC products because they pool investment and biometric risks and are typically run by social partners in members' best interests. We also note that large, consolidated structures, like the growing use of master-trust-type arrangements in Ireland, can drive down administrative and asset-management costs. Additionally, we emphasize that high transparency of costs, illustrated by the Dutch system, is a powerful tool for controlling fees and enabling effective benchmarking, which in turn enhances overall value for money. In individual plans, a wider use of life cycling during the accumulation phase and a more flexible approach for the payout could enhance value for money in supplementary DC pensions.

Question 15. To what extent do governance and oversight models impact on value for money in supplementary DC pensions and overall DC outcomes, distinguishing between occupational and personal DC pensions and the accumulation and decumulation phase?

PensionsEurope believes that governance and oversight models have a significant impact on value for money and overall DC outcomes (as outlined on page 21 of our "Road to DC" report). Poor governance such as inadequate management of default funds or unsuitable investment options can lead to inappropriate investment decisions, poor performance, excessive costs, and regulatory breaches, all of which directly undermine value for money.

We highlight that regulatory oversight must avoid imposing excessive compliance burdens, since these costs are ultimately borne by members and can harm value for money (p. 23). We stress that governance quality - both internal scheme governance and external regulatory oversight - is a key determinant of cost efficiency, investment suitability, member protection, and thus final DC outcomes.

By way of example, German Occupational Pension Law foresees for Social Partner Models that the parties having negotiated such a collective DC model must be involved in the steering of its operations. Those stakeholders have a natural interest in keeping costs low and pension outcomes high.

Overall, we note that different social systems reflect the diverse objectives policymakers pursue for workplace pension arrangements and regulators must strike a balance between ensuring appropriate regulation and governance and avoiding rules that place excessive burdens on pension administrators and employers, as such burdens can ultimately harm members and beneficiaries by driving up participation costs. Regulators should also be aware that compliance costs in DC schemes are generally passed on to members, whether directly or indirectly.

Topic 6: Information provision and transparency

Question 16. What are the main elements on which DC pension savers should be informed before being enrolled in a DC plan and after their enrolment? How can information provision to DC members and beneficiaries benefit from digitalisation and insights from behavioural research?

DC pension savers should receive clear and balanced information both before and after enrollment. If an individual bears all or part of the investment risk, it becomes essential that they understand key elements such as the investment strategy being followed and how the relevant system operates. This applies in particular if and to the extent that options/choices for individual members exist. Before joining, individuals must understand what to expect at retirement, the responsibilities involved in achieving their goals, the risks and benefits of adjusting contribution levels, and - where enrolment is voluntary - the risks of not joining and the advantages of participating. After enrollment, members should receive ongoing communication that enables them to track their progress, understand applicable costs and charges, and make informed decisions without being overwhelmed. As retirement approaches, savers should also be informed about potential decumulation or drawdown options so they can plan how to use their accumulated savings.

Digitalization plays an important role here, as such systems are designed to be much closer to the capital market and should provide an up-to-date overview.

Question 17. How can communication and behavioural insights, and particularly pension tracking systems, support citizens to make informed decisions for their retirement income? Are there other good practices in communications to reach out to people and make them aware of insufficient pension savings?

Clear, balanced, and simple communication is essential to help individuals understand what to expect at retirement and the actions they need to take, noting that ongoing communication enables participants to track their progress toward their goals. Nevertheless, communication and behavioral insights are only potentially relevant when individuals are in a position to make choices which is not always the case. Information overload certainly does not lead to more transparency or increased saving for retirement. Therefore, simplicity and focused messages over time are more effective.

National tracking systems are a tool that should not only provide general information about retirement options but also raise awareness of the importance of consistent saving and support better decision-making throughout the individual's pension journey. Digital tools like Pension Tracking Systems can play a role in informing members on their accumulation phase but many people still have major difficulties in accessing IT devices and using them and Pension Tracking Systems are not available in all EU Member States.

Question 18. What practical tools are already in place to understand and identify the drivers and barriers to DC pension adequacy for the design of supplementary DC pensions? What practical tools could be developed to help Member States design and enhance supplementary DC pensions?

We highlight several practical tools already in place to help understand and address the drivers and barriers to DC pension adequacy, including auto-enrolment, which boosts participation and overcomes behavioural inertia; collective agreements and CDC frameworks, which support joint financing and risk-sharing; national pension tracking systems, which consolidate information and raise awareness of savings gaps; clear communication and financial-literacy strategies, which help individuals understand contribution needs and risks; and default investment strategies, which protect adequacy when member engagement is low.

Useful could be more targeted communication frameworks tailored to the decision individuals can make in their plans, enhanced digital and pension-tracking tools, proportionate regulatory approaches to avoid unnecessary cost burdens on pension funds, clearer national adequacy benchmarks, and improved support for decision-making during decumulation.

Topic 7: Emerging trends, regulation and supervision

Question 19. How will emerging trends (e.g. market) and innovations (e.g. AI) positively and/or negatively impact supplementary DC pensions in the future?

Emerging market trends and innovations will reshape supplementary Defined Contribution (DC) pensions. On the positive side, automation and AI can enhance personalisation, reduce costs, improve investment strategies, supporting benefit adequacy at retirement. However, they also introduce new risks (cyber, operational. etc.).

Question 20. To what extent should prudential regulation and supervision evolve in an environment where occupational and personal DC pensions are expected to increasingly contribute toward securing an adequate and secure retirement income?

Additional regulation does not necessarily encourage wider uptake of pensions. On the contrary, continuously rising administrative burdens may discourage employers from offering occupational pension schemes. The experience with the PEPP illustrates that simply creating a pension product through EU regulation does not generate either supply or demand.

Prudential regulation and supervision must adapt to the growing importance and specific risks of DC pensions, ensuring strong protection for members while avoiding unnecessary burdens that would increase costs and reduce value for money. Regulators must balance proper oversight with proportionality, since excessive compliance requirements in DC schemes ultimately raise costs.

Finally, we highlight the importance of flexibility in implementing risk assessments, such as the Own Risk Assessment under IORP II, because DC schemes vary widely across Member States and overly rigid supervisory rules could undermine efficiency. The IORP II Directive is an EU minimum harmonization directive and therefore, no harmonized risk assessment should be introduced in any way. Prudential regulation should not push for further reporting, as this would lead to increased costs for pensions funds which ultimately have to be borne by members and beneficiaries, while not generating real benefits in terms of effectiveness of prudential supervision and operations of pension providers.

Question 21. To what extent should conduct regulation and supervision evolve in an environment where occupational and personal DC pensions are expected to increasingly contribute toward securing an adequate and secure retirement income?

PensionsEurope believes that the existing prudential framework, including the fit and proper requirements, remains adequate for both DB and DC schemes, and the growing role of DC does not in itself justify an expansion of supervisory mandates. At the same time, as members in DC arrangements bear more individual responsibility, we recognise that the conduct aspects of supervision - such as clear, balanced communication, transparency of costs and charges, and effective support at key decision points, including decumulation - naturally gain importance within the existing regulatory framework. This does not require new powers or additional layers of supervision, but rather a sharpened focus on the quality and usability of information provided to members, ensuring they can make informed choices without creating unnecessary burdens on schemes or increasing costs for savers.

National regulators and supervisors are better placed to define the areas of conduct regulation and supervision than EU bodies, considering the features of the markets and the current level of conduct regulation/oversight.

Other comments

Question 22. Do you have any other comments and suggestions which EIOPA should consider for the future DC toolkit to help foster the development of adequate supplementary DC pensions?

PensionsEurope believes that any EU-level approach must fully respect the diversity of national pension systems and the principle that there is no one-size-fits-all model in the EU. Rather than prescribing uniform solutions, the toolkit should provide flexible options that Member States can adapt to their own pension landscapes, social policies, and legal frameworks. Any proposed regulation should be justified, necessary, and proportionate, recognising that compliance costs in DC schemes are ultimately borne by members. The toolkit should also support - and certainly not hinder - the development of well-designed collective and hybrid schemes, which the report identifies as offering valuable cost efficiency and risk-sharing mechanisms. Finally, we stress that the reduction of red tape correctly ranks high on the EU's political agenda, and that this should also apply to supplementary pensions and their providers.

About PensionsEurope

PensionsEurope represents national associations of pension funds and similar institutions for workplace and other funded pensions. Some members operate purely individual pension schemes.
PensionsEurope has **25 member associations** in 19 EU Member States and 3 other European countries[1].

PensionsEurope member organisations cover different types of workplace pensions for approximately over **100 million people.** Through its Member Associations PensionsEurope represents over **€ 6 trillion of assets** managed for future pension payments. In addition, many members of PensionsEurope also cover personal pensions, which are connected with an employment relation.

PensionsEurope also has **14 Corporate and Supporter Members** which are various service providers and stakeholders that work with IORPs.

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

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

What PensionsEurope stands for

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

Our members offer

- Economies of scale in governance, administration and asset management.
- Risk pooling and often intergenerational risk-sharing.
- Often "not-for-profit" and some/all of the costs are borne by the employer.
- Members of workplace pension schemes often benefit from a contribution paid by the employer.
- Wide-scale coverage due to mandatory participation, sector-wide participation based on collective agreements and soft-compulsion elements such as auto-enrolment.
- Good governance and alignment of interest due to participation of the main stakeholders.

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