



PensionsEurope answer to the call for evidence on supplementary pensions

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Introduction

PensionsEurope welcomes the opportunity to contribute to the [call for evidence](#) for supplementary pensions. We advocate adequate and secure pensions for people in Europe and are confident that pension funds can and should play a significant role in providing them.

The pension landscape across Europe is very diverse, which is largely derived from and linked to national labour laws, tax laws, and social security systems. For this reason, we believe that actions on supplementary pensions by the EU must take into consideration the different characteristics of Member States and respect the principles of subsidiarity and proportionality.

PensionsEurope is currently working with its members on the targeted consultation on supplementary pensions. In our response to that consultation, we will go into much more detail than this general call for evidence allows, particularly given the short deadline.

I. IORP II review

The IORP II directive is rightly minimum harmonization legislation and this needs to continue and there is no need for delegated acts.

Investment rules

PensionsEurope believes that the prudent person principle and the fiduciary duty as expressed in Article 19 are sufficient and proper rules for diversification of investments. Existing limitations, particularly in investments considered riskier, such as private equity and venture capital, are based on national legislation. Pension funds in countries that have used a principle-based and qualitative approach the the prudent person rule are less constrained to invest in alternatives.

Scale

Consolidation of pension funds has happened in many countries for several years. Typical examples are the Dutch, Irish and Belgian pension funds. Often investments of pension funds are executed by specialised service providers which have adequate scale to perform investments efficiently. Therefore, we believe that no particular actions would be necessary or useful. The objective of the IORP II Directive should be to improve Europeans' access to occupational pensions. Smaller and medium-sized pension funds are able to deliver decent returns and professionally managed pensions.

Cross-border issues

Cross-border activities of IORPs remain very limited. Efforts by EU institutions to facilitate and/or promote cross-border activities must not negatively affect non-cross-border IORPs.

Scope of the directive

The issue of the scope was central in IORP I but not in IORP II and no changes were proposed in IORP II. The scope remains a very sensitive issue and PensionsEurope believes that any proposal on the scope must take into consideration the limited EU competences in pensions and other political parameters as well as different technical aspects.

Supervision

On the supervision issue, we believe that NCAs should continue to supervise the IORPs and they are equipped with all the necessary tools to perform their duty efficiently.

Transparency, information, and pension tracking systems

Member States should have greater flexibility in how they line and target information. Making the Pension Benefit Statement (PBS) longer could make PBS less understandable and less usable by the members and beneficiaries. Member States should have the freedom to determine whether and how to use synergies between the Pension Tracking Services (PTS) and the PBS. Finally, scenarios on which projections are based should continue to be identified at the Member State level.

II. PEPP review

PensionsEurope promotes good pensions for the people in Europe, including personal pensions. Personal pensions are a form of long-term savings products, supplementing other pensions. PEPP's development has been extremely slow and presently there are only two small PEPP providers in Europe.

Therefore, it is clear that the current framework has failed and needs to be reformed to become successful while properly taking into consideration existing national personal pension products. The ultimate objective is not to make the PEPP a success, but that more people should have access to good pension products.

Single PEPP product (occupational and personal pension)

In countries with well-developed pension systems, this approach, which combines occupational and personal pension, risks interfering with the operation of established or emerging schemes. These unintended consequences must be avoided, as pension schemes operating under the IORP II Directive could be subject to PEPP rules. This concern is particularly relevant given the lack of evidence that PEPP offers advantages over national pension schemes as those schemes are rooted in national social, labour and tax laws.

Therefore, if PEPP is extended to cover also the second pillar, we believe that a Member State option should be introduced to the regulation, so that Member States with well-established occupational pension systems can opt out of introducing PEPP as an occupational pension.

Default option (the "Basic PEPP")

PensionsEurope believes that the basic PEPP can be designed with a built-in lifecycle investment strategy (more prudent as the retirement date approaches) but not automatically, because the best investment strategy depends on the participant's financial situation, including the accrual of the first and second pillars.

Subaccount requirements

Removing national compartment requirements would change the nature of the proposal, from a European product to a more national one. This would call into question the need for the EU to legislate on such products because the subsidiarity principle could be jeopardised.

Fee cap

PensionsEurope believes that the cost cap for the Basic PEPP is acting as a barrier to the development and market uptake of PEPP across the EU. The fee cap considers costs and charges and excludes performance. At the same time, we reject the suggestion to exclude certain costs from the calculation of the fee cap, as this would lead to implicit inconsistent comparisons between different types of providers.

We believe that a better approach would be to focus on value for money for savers, which means ensuring that a high-quality product is available at competitive costs.

Registration and supervision

The National Competent Authority of the provider should continue to process the authorization of the PEPP, with EIOPA maintaining a central register.

Investment rules

The 'prudent person' rule should remain a guiding principle for the investment of PEPP providers. An appropriate level of investment freedom should be allowed for PEPP providers.

Level playing field across personal pension providers and rules on distribution

We believe that the different personal pension products providers should have similar distribution rules, to tackle unnecessary barriers.

Enabling transfers from existing national personal pension products into the PEPP is also a sensitive issue as the PEPP should first aim to complement national products. Nevertheless, the transferability between existing pension products of different Member States is an important challenge as it is technically difficult.

Transparency requirements and tax treatment

Information requirements should be tailored to the specific nature of the PEPP, which is neither a pure investment product nor an occupational pension scheme. PEPP information could be integrated into pension tracking systems, alongside other pension information.

On tax treatment, we recognize that pension policy and tax policy are competences of the Member States and that the tax framework is often related to social and economic goals. Tax treatment of PEPP should not lead to discrimination against national products nor substitution between different parts of the pension system.

III. Autoenrollment

Autoenrollment has proven effective in expanding pension coverage in some countries. However, successful autoenrollment must not only achieve broad participation but also ensure that contribution levels are sufficient to provide adequate pensions. Auto-enrolment has significant potential to address Europe's retirement challenges but should not replace effective mandatory systems.

However, there is no single policy that can address all existing pension gaps. We emphasize the importance of a coordinated mix of measures, including addressing demographic shifts, ensuring

adequate retirement income, improving financial literacy, and raising awareness of the need to save for retirement. Collective labor agreements can be effective to ensure good participation in occupational pension schemes. Autoenrollment can be a good policy option when this is not feasible.

IV. Pension Tracking Services (PTS)

Given the divergence of the pension systems, the structure and use of PTS should remain an issue for the Member States and be adjusted to national circumstances. PTS should also adapt to the needs for information of members and beneficiaries in a Member State.

In our view, PTS should provide information on statutory and supplementary pensions. It is up to the Member State to decide if it also applies to other financial products. Challenges, such as keeping up with changes in pension law, getting the required data and keeping data quality are present and solutions need to be found.

V. Pension Dashboards

To add value, a pension dashboard should follow the evolution of all three pension pillars across the Member States and report developments back to the national level. In our opinion, this can only be achieved if the European Commission (ideally DG EMPL supported by DG FISMA) carries out this project together with the Member States (more specifically, the national ministries responsible for pension policy).

As the current reporting requirements for IORPs are already very demanding, we stress that the data contained in the dashboard should be gathered from already existing reporting requirements and channels. This data can be provided by EIOPA or the NCA. It is of the utmost importance that the potential establishment of a pensions dashboard does not result in additional reporting requirements for IORPs and sponsoring companies.

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 countries¹.

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.

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.

- Good governance and alignment of interest due to participation of the main stakeholders.

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