Centrum für Europäische Politik
FREIBURG | BERLIN

cepInput

No. 14 | 2025 12 August 2025

Private and Occupational Pension Schemes in the EU

Why strengthening the second and third pillars is essential and what approaches exist for reforms at EU level

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The EU Commission wants to establish an Savings and Investments Union of which an important cornerstone is the strengthening of private and occupational pension schemes in the EU. This cepInput, which is to kick off a series of cepPublications on the subject, discusses the need to strengthen the second and third pillars of pension provision and presents various proposals and ideas from individual stakeholders, institutions, supervisors, Member States and, in particular, the EU Commission.

- Strengthening private and occupational pension provision in the EU is essential for several reasons. Firstly, to mobilise additional funds for productive investments. Secondly, to compensate for the dwindling capacity of pay-as-you-go pension schemes in the wake of increasing demographic change. And thirdly, to potentially ease the burden on national budgets and cushion the negative effects on growth caused by demographic change.
- There are already numerous ideas for strengthening supplementary pension provision in the EU. These range from the establishment of pension dashboards and tracking systems to the creation of an EU label for adequate national pension products, from the use of auto-enrolment tools and targeted adjustments to the EU Directive on occupational pension schemes (IORPs Directive) and the EU Regulation on pan-European private pension products (PEPP Regulation).

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1 Introduction

The EU has a new buzzword: "European Savings and Investment Union (SIU)". After almost a decade of working on the "completion of the capital markets union" at European level with only moderate success[1], it is apparently now time for another gimmicky slogan to justify a new attempt. And this is what the new Commission has also set its sights on for the current legislative period. The new Financial Market Commissioner Maria Luís Albuquerque was given the task of developing a "SIU" in her "Mission Letter". The central aim of the SIU is to facilitate use of the huge amount of savings held by EU citizens, in order to overcome the numerous (transformational) challenges facing the EU. And these savings are certainly huge. In 2023, they amounted to an impressive EUR 34 trillion. At the same time, approx. 34% are held as deposits or in low-interest savings accounts.[2,3] In order to leverage this huge and hitherto wantonly neglected potential, the Commission is now increasingly focussing on private and occupational pension provision - i.e. the second and third pillars of old-age provision. These two pillars will constitute an important cornerstone in the efforts to create an SIU which will take place on the premise of helping EU citizens to provide for their retirement, on the one hand, and ensuring that more of their savings can flow into the EU economy, on the other. Commissioner Albuquerque is also expected to contribute to the development of "simple and low-cost savings and investment products at EU level" to combat the fragmentation of the capital markets[4], which generally also include pension products. As recently as May 2025, the European Court of Auditors stated that the Commission's goal of creating a single market for institutions for occupational retirement provision (IORPs) had not yet been achieved and that pan-European private pension products (PEPPs) had not proven to be a viable pension option for EU citizens.[5]

Against this background, this cep**Input** will take up the debate on promoting the second and third pillars of old-age provision. The paper will kick-off a series of publications on the upcoming discussions and envisaged regulatory steps at EU level. The cep**Input** will firstly outline the major relevance of the topic and the reasons why occupational and private pension provision needs to be strengthened, at least in a large number of EU Member States (Section 2). We will then present various concepts and ideas for promoting the two pillars as put forward in the political arena by various players and institutions, supervisors, the Member States and not least by the EU Commission itself (Section 3). The publication closes with an interim conclusion (Section 4). Follow-up publications to be issued in the coming months and years, will then deal more specifically with the numerous reform concepts, develop their own ideas for reform and scrutinise the (non-)legislative measures announced by the Commission for the fourth quarter of 2025.

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1 In 2015, the EU Commission, for the first time, presented plans to establish a Capital Markets Union [EU Commission (2015), COM(2015) 468, Communication, Action Plan on Building a Capital Markets Union, 30 September 2015, see cep**PolicyBrief**].

2 EIOPA (2024), A simple and long-term European savings product: the future Pan-European Pension Product, EIOPA Staff Paper, 11 September 2024.

3 This is not a new discovery. As early as 2015, the Commission found that retail investors in Europe have "significant savings in bank accounts" but are hardly involved in the capital markets. Even at that time, it pointed out that the "direct share ownership [...] has dropped from 28% in 1975 [...] to 10-11%". [EU Commission (2015)]

4 EU Commission (2024a), Mission Letter, Maria Luís Albuquerque, Commissioner-designate for Financial Services and the Savings and Investments Union, 17 September 2024, available here

5 European Court of Auditors (2025), Special Report 14/2025: "Developing supplementary pensions in the EU: EU action not effective in strengthening occupational pensions and establishing the pan-European personal pension product", Publications Office of the European Union, May 2025.

2 Why it is essential to strengthen occupational and private pension schemes

2.1 Private households in the EU save extensively, but often not effectively

An analysis by the European Central Bank (ECB) recently came to the remarkable conclusion that EUR 350 billion in capital alone could be mobilised annually for long-term market-based investments if private households in the EU were to adopt a similar savings behaviour - deposits to other financial assets ratio - to private households in the US.[6,7]Their behaviour is, however, fundamentally different. Private households in the EU have savings totalling around EUR 34 trillion (as at 2023)[8,9] - a sum roughly twice the size of the EU's gross domestic product[10] - and their savings rate is a proud 12.7% compared to a paltry 3.2% in the US[11]. At the same time, 34% of household savings in the EU are held in low-yield savings accounts or as deposits.[12] By contrast, the rate in the USA is a mere 13.4%.[13] There are also clear differences in the proportion of financial assets held in the form of financial securities - e.g. shares, bonds and investment funds. Thus, households in the 27 Member States held only 17% of their financial assets as securities, while the proportion for US households was around 43% (as at 2021).[14] Although households in the EU have a higher overall savings level, this is not reflected in a higher level of assets. The latter has also grown less in the EU than in the US in recent years.[15]

The ineffective savings behaviour of private households in the EU is unfortunate from several perspectives. Firstly, because EU citizens are missing out on returns that they could realise with the help of higher-yielding financial investments. Secondly, the private funds tied up in savings accounts and deposits is unavailable to finance the numerous transformational challenges facing Europe. And thirdly, higher-yielding investment activity by EU households to accumulate assets is essential for adequate retirement provision, especially against the backdrop of demographic change and the impending burdens on state pension schemes. Occupational and private pension schemes could play a decisive role here.

2.2 Poorly developed supplementary pension schemes as a brake on investment and growth

Pension funds in the EU amounted to 32% of EU GDP in 2022. This contrasts with the US and the United Kingdom, both of which have significantly higher pension funds (142% vs. 100% of their respective

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6 European Central Bank (2024), Channelling savings into investment and innovation in Europe, speech by Christine Lagarde, President of the ECB, at the 34th European Banking Congress under the heading "Out of the Comfort Zone: Europe and the New World Order", 22 November 2024.

7 This could divert up to EUR 8 trillion into market-based investments [European Central Bank (2024)].

8 EIOPA (2024).

9 Two thirds of this sum is held by only five Member States [Christian Noyer (2024), Developing Capital Markets to finance the future, Proposals for a Savings and Investments Union, April 2024].

10 Christian Noyer (2024).

11 EU Commission (2024b), The future of European competitiveness, Part B: In-depth analysis and recommendations, Report by Mario Draghi, September 2024.

12 EIOPA (2024).

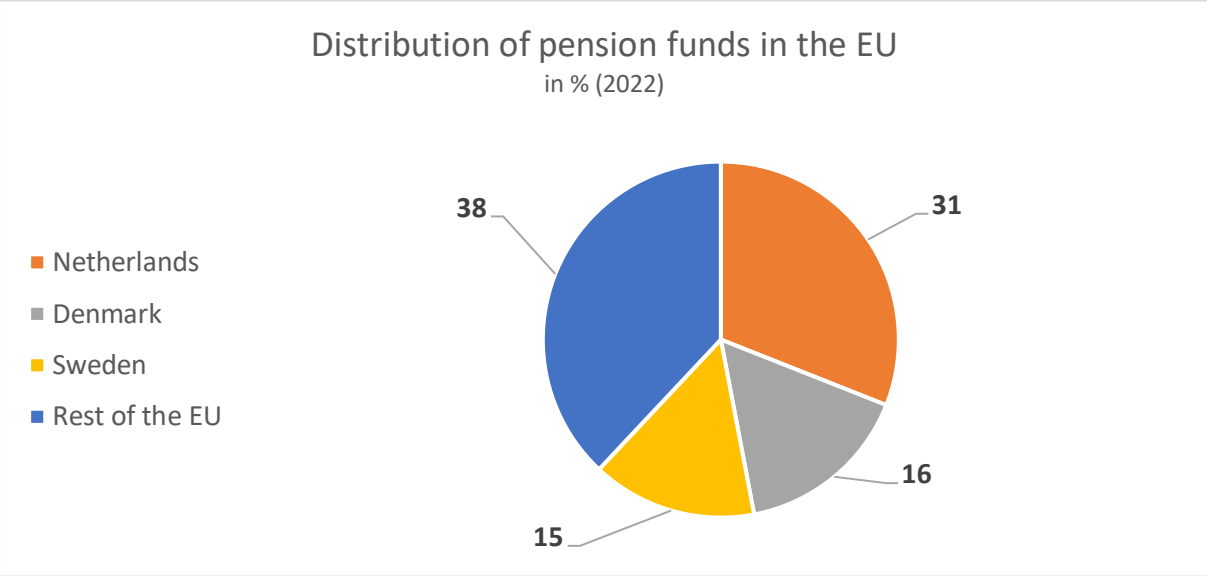
13 German Council of Economic Experts (2023), Overcoming sluggish growth – Investing in the future, Annual Report 2023/24.

14 EU-Commission (2023a), Commission Staff Working Document, Impact Assessment report, Proposal for a Directive of the European Parliament and of the Council amending Directives (EU) 2009/65/EC, 2009/138/EC, 2011/61/EU, 2014/65/EU and (EU) 2016/97 as regards the Union retail investor protection rules, SWD(2023) 278, 24.5.2023.

15 The net assets of private households in the eurozone countries rose by 55% between 2009 and 2023. In the same period, it rose by 151% in the USA [EU Commission (2024b)].

GDP). And the funds in the EU are not evenly distributed across all 27 Member States. Instead, they are heavily concentrated in just three countries, which furthermore are not among the largest in the EU. They are the Netherlands, Denmark and Sweden. These alone account for 62% of total pension funds (see Figure 1).[16]

Figure 1: Distribution of pension funds in the EU in 2022 in %



Source: EU Commission (2024b)

This is due to the strength of private and occupational pension schemes which are considered to be well developed in these countries. The schemes account for 44% (Netherlands), 28% (Denmark) and 21% (Sweden) of total pension benefits. The majority of employees (over 90%) are covered by a company pension scheme. In contrast, both private and occupational pension schemes are far less widespread in the other EU Member States.[17] According to the EU Commission, although the use of supplementary pension products is increasing in the EU, surveys show that only 20% of EU citizens currently have occupational pension provision and only 18% have private pension provision.[18] The state-run, pay-as-you-go schemes continue to play a predominant role. In 2022, average annual pension expenditure[19] in the EU amounted to 12.5% of the EU's gross domestic product (80% of which was for old-age pensions) or around EUR 16,000 per beneficiary.[20,21] In contrast, expenditure on private pension schemes accounts for no more than 1% of EU GDP in the majority[22] of EU Member States.[23] In

16 EU Commission (2024b).

17 EU Commission (2024c), 2024 Ageing Report, Economic & Budgetary Projections for the EU Member States (2022-2070), Institutional paper 279, April 2024.

18 EU Commission (2025a), Supplementary pension provision - Review of the regulatory framework and other measures to strengthen the sector, Ref. Ares(2025)4994415 - 23/06/2025.

19 According to the statistics, "pension benefits" covers four categories: old age, disability, survivors and unemployment. Old age pension benefits alone account for 9.8% of GDP. [Eurostat (2025), Social protection statistics - pension expenditure and pension beneficiaries, available here]

20 Eurostat (2025).

21 The rate differs widely between the EU Member States. For example, in Italy it is 15.5% of EU GDP, in France 14.7% and in Germany 11.6%. In Ireland and Malta, the rates are significantly lower at 3.8% and 5.6% of EU GDP respectively. [Eurostat (2025)]

22 Exceptions on the other hand are the Netherlands, Denmark and Sweden.

23 Truchet. M. (2024a), Pensions in the EU: challenges, EU competencies and on-going reforms, Eurofi Regulatory Update, February 2024.

comparison, the ratio of state to private schemes in countries such as the USA, Canada and the UK is much more balanced with the private pillar much more widely developed.[24]

The limited development of pension schemes under Pillars 2 and 3 is problematic for several reasons. Firstly, the average pension benefits under Pillar 1 are predicted to fall noticeably. According to the EU Commission, the average pension paid out in the EU in 2070 will be just 35.5% of the average gross salary. In 2022 it was 43.8%.[25] The decline will therefore be considerable, averaging 8.3 percentage points.[26] A look at the three EU Member States with well-developed private pension schemes, mentioned above, shows that pensioners living in those countries can expect above-average benefit rates in 2070. Without the private pillar, these are also low (Denmark: 26.7%, -12.6 percentage points; Netherlands: 35.4%, +1.3 percentage points; Sweden: 23.1%, -10.6 percentage points), but if the private pillars are included, the rates are 57.6% in Denmark, 66.3% in the Netherlands and 43.3% in Sweden.[27] According to the OECD, pension schemes in the EU that supplement state schemes ensure a gross performance rate that is 8 percentage points higher than would be the case if they were not taken into account.[28] Secondly, the dominance of the first pillar means that relatively little capital is channelled into the financial markets. It can be seen that those countries with a strong focus on supplementary pension schemes also tend to have a higher market capitalisation and higher capital market participation by households (see Table 1).[29,30]

Table 1: Relationship between pension assets, market capitalisation and financial assets

Country	Pension assets[31] as % of GDP	Market capitalisation as % of GDP	Household financial assets[32] as % of GDP
EU	29%	54%	90%
Germany	7%	45%	100%
France	11%	134%	100%
Italy	11%	32%	105%
Netherlands	151%	136%	174%
Denmark	192%	150%	187%
Sweden	100%	155%	165%
United Kingdom	85%	91%	180%
USA	138%	190%	310%

Source: Truchet. M. (2024b), p. 95.

[24] In these countries, annual expenditure on private pensions amounts to just under 6% of GDP and on state pensions 5% (UK, Canada) or 7% (USA) of the respective GDP [Truchet. M. (2024)].

[25] EU-Commission (2025a).

[26] This is only the average value across all EU member states. In some countries, the declines are expected to be much more drastic, for example in Greece (-23 percentage points), Poland (-21 percentage points) and Spain (-16 percentage points). In Germany, on the other hand, a below-average decline of -6.4 percentage points is expected (decline from 40.8% to 34.4% of GDP). [EU-Commission (2024c)].

[27] EU Commission (2024c).

[28] OECD (2023), Pensions at a Glance 2023: OECD and G20 Indicators, OECD Publishing, Paris, see here.

[29] Truchet. M. (2024b), How important are pensions for the CMU?, Eurofi Regulatory Update, February 2024.

[30] More recent figures for household financial assets show a ratio of 145% for the UK, 300% for the USA and 93% for the EU. Denmark (198%), Sweden (179%) and the Netherlands (173%) continue to have the highest values within the EU [AFME (2024), Capital Markets Union Key Performance Indicators - Seventh Edition, Unlocking Capital Markets for a Competitive Europe, Household Market Investment Indicator, November 2024].

[31] Pension assets are funds accumulated from contributions to a pension plan that are exclusively intended to finance pension benefits [OECD (2023), Pension Markets in Focus 2023, OECD Publishing, Paris].

[32] Financial assets ("household financial assets") include listed shares, bonds, funds, pension and insurance provisions. However, it does not cover cash, deposits or unlisted shares. The major discrepancy between the USA and the EU is due in particular to the greater involvement of US households in funds and shares as well as in private pension provision. [AFME (2024)]

And thirdly, the weakness of the second and third pillars in the majority of Member States means that the EU is not very good at channelling existing financial capital into productive investments. In many cases, EU citizens have entitlements under state pension schemes that are financed on a pay-as-you-go basis and not therefore structured for the capital markets, and they hold a large proportion of their savings in investment products that lack long-term orientation (e.g. cash, deposits). This has resulted in a lack of sufficient funds flowing into the capital markets necessary for long-term investments. Thanks to the more extensive occupational and private pension schemes in the Netherlands, Denmark and Sweden, they have been more successful than other Member States in this regard.[33] The supplementary pension pillars therefore counteract an "under-supply" of long-term capital in the European economies which, in addition to the demographic "growth problems", acts as an additional brake on future growth.[34,35]

2.3 Demographic change puts pressure on pension schemes

There is another aspect that makes strengthening occupational and private pension provision extremely urgent. Demographic change has also affected the EU and will exert its full impact in the coming decades. According to forecasts by the EU Commission, the old-age dependency ratio[36] will change dramatically over the next few years. The Commission anticipates an old-age dependency ratio of 59% in the EU by 2070. This would be a sharp increase of 23 percentage points compared with 2022 (36%) and 30 percentage points compared with 2010, when the ratio was still 29% (see Table 2).

Table 2: Development of the age dependency ratio in the EU and individual Member States

Country	2022	2070	Change in % points
Germany	37.4	55.0	+17.6
France	38.2	57.8	+19.7
Italy	40.8	65.5	+24.7
Spain	33.3	64.5	+31.2
Denmark	35.4	56.5	+21.1
Netherlands	34.3	56.3	+22.0
Sweden	36.0	50.4	+14.4
Poland	31.9	63.7	+31.9
EU	**36.1**	**59.1**	**+23.0**

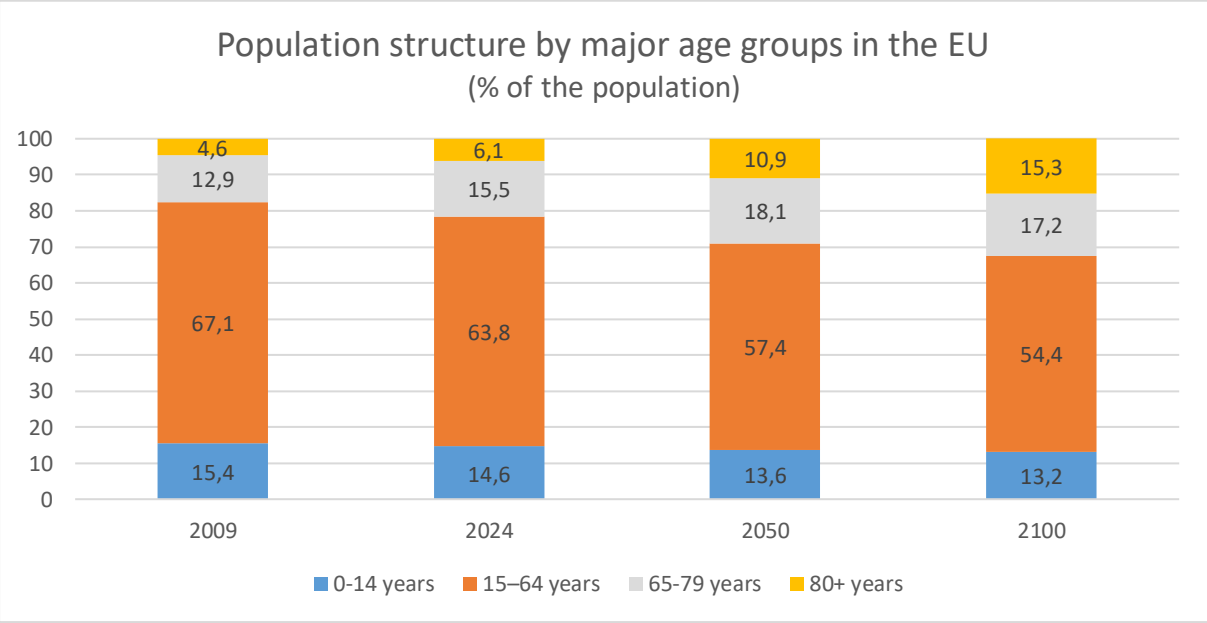
Source: EU Commission (2024c), 2024 Ageing Report, Economic & Budgetary Projections for the EU Member States (2022-2070), Institutional paper 279, April 2024.

By as early as 2045, the Commission assumes that there will be fewer than twenty people of working age - 20 to 64 - for every ten people over 65. In 2022, this ratio was still just under thirty people for every ten people over 65.[37,38] By 2100, the proportion of the EU population aged 80 or over is expected

[33] EU Commission (2024b).
[34] EU-Commission (2025a).
[35] EU Commission (2024b)
[36] The ratio compares the population of retirement age with the population of working age. It also provides information on how the ratio of employees who contribute to the social security systems and pensioners who receive benefits from these systems is changing.
[37] EU Commission (2024c).
[38] The drastic shifts are due in particular to changes in fertility rates, life expectancy and net migration. The Commission anticipates an overall fertility rate in the EU of 1.62 in 2070, which is well below the natural replacement rate of 2.10. At the same time, average life expectancy at birth for men is expected to rise to 86.1 in 2070 (2022: 78.4) and to 90.4 for

to increase 2.5-fold to over 15%, and the proportion of those over the age of 65 is expected to rise to over 32% (see Figure 2).[39]

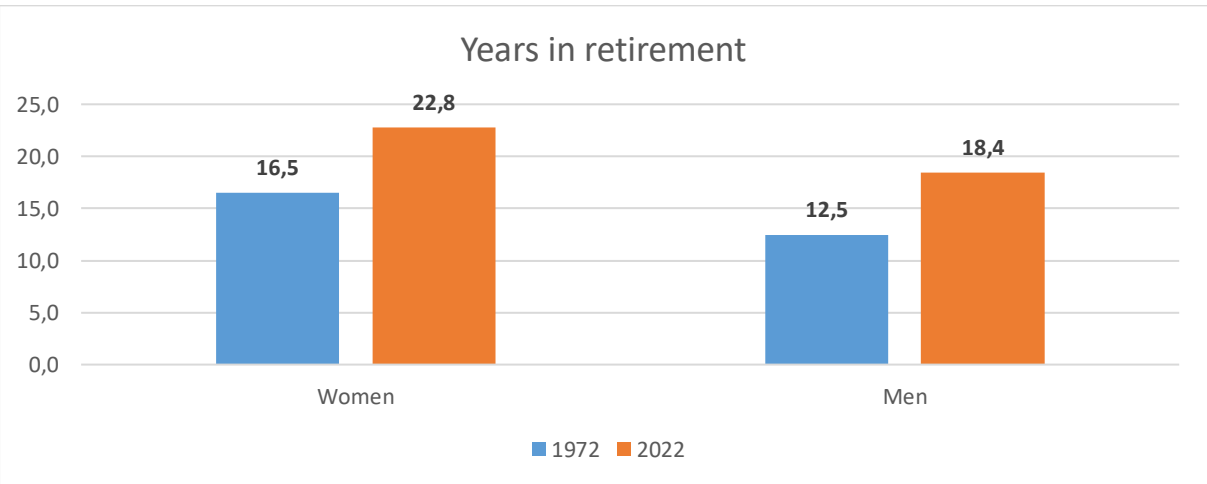
Figure 2: Population structure by major age groups in the EU



Source: Eurostat (2025), Population structure and ageing, available here.

In addition, the number of expected years of life after leaving the labour market has also increased dramatically. In 1972, women spent an OECD average of 16.5 years and men 12.5 years in retirement; by 2022, this figure had risen to 22.8 years (women) and 18.4 years (men) respectively (see Figure 3).[40]

Figure 3: Years in retirement



Source: OECD (2023): Expected years of life after leaving the labour market, OECD average 1972-2022

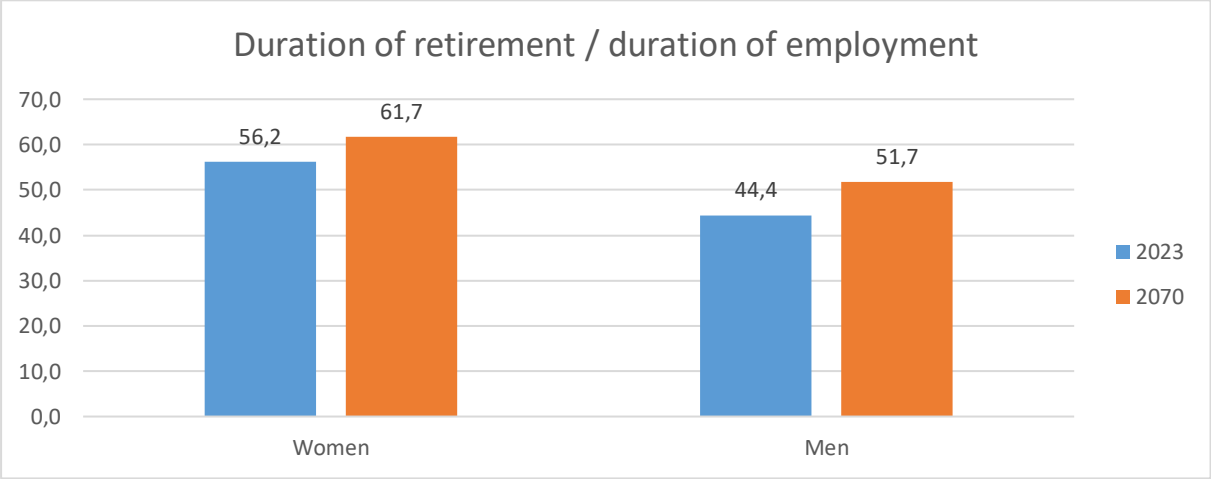
women (2022: 84.0). Net migration is expected to be positive in almost all countries, averaging 0.3% of the EU population by 2070. [EU-Commission (2024c)]

39 Eurostat (2025), Population structure and ageing, available here.

40 OECD (2023).

In the EU, the average retirement phase in 2023 was 22.7 years for women and 18.7 years for men. It is expected to increase by a further 3.3 and 3.8 years respectively by 2070. Consequently, it is also expected that the duration of retirement will again change significantly in relation to the average duration of employment.[41] While the proportion in the EU was still 56.2% (women) and 44.4% (men) in 2023, it is expected to be 61.7% and 51.7% respectively in 2070 (see Figure 4).

Figure 4: Duration of retirement in relation to the average duration of employment



Source: EU Commission (2024c), 2024 Ageing Report, Economic & Budgetary Projections for the EU Member States (2022-2070), Institutional paper 279, April 2024.

Thus, the working phase would last less than twice as long as the retirement phase and more than a third of adult life would be spent in retirement (women: 36.2%, men: 33.1%).[42,43]

This fundamental change will not be without consequences, and the impact on pension schemes should not be underestimated. In systems that rely on the pay-as-you-go scheme to finance old-age provision, an ever smaller proportion of working people will have to pay for an ever larger proportion of pension recipients. According to forecasts, by 2070, across the EU, there will only be 14 employed people financing the benefits of ten inactive people (people over the age of 65). For comparison: In 2022, there were an average of eight more people in employment (i.e. 22).[44] In the EU, there are currently just under three people of working age for every pensioner. This number will fall to less than two in the next 50 years.[45,46]The sheer scale of this change will be a massive stress test for pay-as-you-go pension schemes. It emphasises the need to look for additional or complementary ways to ensure adequate pension provision for the European population. In addition to far-reaching structural

[41] In 2024, the duration of working life in the EU, i.e. the number of years that a person aged 15 is expected to be active in the labour market throughout their entire life, was 37.2 years [Eurostat (2025, Duration of working life].

[42] EU Commission (2024c), 2024 Ageing Report, Economic & Budgetary Projections for the EU Member States (2022-2070), Institutional paper 279, April 2024, Table 1.1.5.

[43] Bernd Raffelhüschen from the University of Freiburg recently summarised this development in an interview: In the 1960s, people still paid 4.5 years of contributions for 1 year of pension entitlement. Today, you pay in 2 years for 1 year of pension [Focus (2025), Interview with pension expert Raffelhüschen, Unser Renten-System ist gerecht: Wer viel zahlt, kriegt viel, 23.03.2016]

[44] EU Commission (2024c).

[45] EIOPA (2024), A simple and long-term European savings product: the future Pan-European Pension Product, EIOPA Staff Paper, 11 September 2024.

[46] In Germany, in 1950, the ratio of people of working age to pensioners was still 6:1. In 2020 it was 3:1 and in 2050 it is expected to be 2.3:1 [Thum, M. et al. (2025), Reformoptionen für eine stabile Rente, Gutachten im Auftrag der Friedrich-Naumann-Stiftung für die Freiheit, Vorgelegt vom ifo Institut – Leibniz-Institut für Wirtschaftsforschung an der Universität München e. V., Niederlassung Dresden].

reforms, particularly within the first pillar, a strengthening of funded pension schemes in the second and third pillars seems to be essential, especially in those Member States where these are currently underdeveloped. This will be necessary simply in order to at least partially cushion the massive macroeconomic consequences of demographic change and the costs associated with the ageing of European societies, which go beyond the financing of adequate pensions.

2.4 Intergenerational burden sharing, risk diversification and fiscal effects

Strengthening the second and third pillars in the EU is also expedient for other reasons because state pension schemes based on the pay-as-you-go system are facing challenges due to demographic and productivity trends. The yield from the systems depends largely on the development of the contributory payroll. This in turn depends on whether the population grows and labour productivity increases. Neither of these is currently observable in the EU. On the contrary: Birth rates in the EU are falling and productivity is growing only minimally, if at all, and is likely to come under further pressure due to demographic change. The yield from pension systems financed on a pay-as-you-go basis is therefore lower than in the past. To counteract this, for example, contribution rates could be increased[47]. This, however, is associated with negative consequences. Although it would stabilise the security level of current generations of pensioners, it would reduce the yield for current and future contributors and lead either to lower net wages or to rising labour costs. In open economies, however, this goes hand in hand with a lower labour supply and reduced demand for labour. Negative consequences for the level of investment are also likely. Pension schemes based on the funded system, whose returns are largely dependent on the performance of the capital markets[48], cannot reverse the aforementioned consequences but can often help to at least mitigate them. They can help to distribute the burden more fairly and evenly across the generations, relieve the burden on contributors and increase the chances of adequate pensions.[49,50,51] It is argued that funded schemes can also be susceptible to demographic change, for example because longer life expectancy also means higher savings amounts or lower benefits.[52] Nevertheless, as a supplement to pay-as-you-go pension provision, it offers the potential to put old-age provision on a broader footing and to some extent "decouple it from the unfavourable demographic trend" and increase the combined level of security.[53] This applies in particular if the investment is made globally as it enables broad risk diversification and allows negative demographic developments, for example in Germany, to be cushioned by more positive developments in other countries.[54] It can also help to ease the financial burden on public budgets and statutory pension schemes. As income in pay-as-you-go systems tends to fall while

[47] A current simulation analysis for Germany shows that demographic trends will, in a base scenario, cause social security contributions to rise from a total of 40.1% in 2022 to over 50% per year. In an unfavourable scenario, the contributions rise to almost 60%. The contribution rate for statutory pension insurance alone increases by 6.2 percentage points in this scenario. [Werding, M. (2025), Die Entwicklung der Sozialversicherungsbeiträge bis 2080: Ein Update]

[48] In theory, funded pension provision is considered superior to the pay-as-you-go system if the return on capital cover - risk-free capital market return - is higher in the long term than the return on the pay-as-you-go system - growth rate of the wage bill [Aaron, H. (1966), The social insurance paradox, Canadian Journal of Economics and Political Science / Revue canadienne d'Economique et de Science politique 32 (3), 371-374].

[49] Werding, M., Schaffranka, C., Nöh, L., & Lembcke, F. (2023), Ergänzende Kapitaldeckung der Altersvorsorge: Gründe, Gestaltungsoptionen und Auswirkungen (No. 02/2023), Working Paper.

[50] Potrafke, N. (2025), Bravo, Frau Reiche, guest commentary, Handelsblatt, 30 July 2025.

[51] German Council of Economic Experts (2016), Time for reforms, Annual Report 2016/17.

[52] Roßbach, G. (2024), Der Generationenvertrag - eine bewährte und unverzichtbare Grundlage der Altersvorsorge, ifo Schnelldienst 12/ 2024, 4 December 2024.

[53] German Council of Economic Experts (2023), Overcoming sluggish growth – Investing in the future, Annual Report 2023/24.

[54] Werding, M., Schaffranka, C., Nöh, L., & Lembcke, F. (2023).

expenditure rises[55], many Member States support their pension schemes through taxes - Germany, for example, to the tune of over €100 billion per year[56] - in order to avoid increases in contributions or politically difficult-to-implement reforms, such as an increase in the retirement age, which could bring income and expenditure back into balance. However, this creates risks for the sustainability of public finances, on the one hand, and, on the other, the state funds utilised will not be available to support other and, in particular, productive uses.[57,58,59]

3 Ideas for strengthening the second and third pillars of pension provision

3.1 Proposals from a working group led by Christian Noyer

In April 2024, a working group led by the former Vice President of the ECB, Christian Noyer, presented a report on further development of the Capital Markets Union.[60] One section of the report was also dedicated to the need for "long-term savings products" in order to channel the abundant savings of EU households into the European economy.[61] According to the Group, such savings products already exist in some countries (e.g. France, the Netherlands, Sweden) but they are not spreading sufficiently in the EU.

"Decentralised approach" based on an EU label: The working group advocates for the development of such products and is relying on a "decentralised approach" based on an EU label. There are three reasons in particular why the Group favours this approach. Firstly, the fact that a large number of different national products already exist, secondly, the individual features of national frameworks and thirdly, the failure of the pan-European private pension product (PEPP). This is why, according to the Group, no independent EU products have been established and responsibility for the development of savings products has remained at national level. The EU label are only to be awarded to national savings products that (a) have a long-term investment horizon, (b) do not make any capital guarantees, (c) are automatically offered by companies to their employees - with an opt-out clause, (d) are subject to an attractive tax regime and (e) where the majority of the money saved[62] will be channelled into European assets.[63]

3.2 Proposals from Enrico Letta

In April 2024, Enrico Letta, the former Prime Minister of Italy, published a report on the future of the European Single Market.[64] One of the first chapters of this comprehensive report, entitled "A single market to finance strategic goals", also considered how more private capital could be mobilised in the

[55] According to a BMF report from spring 2024, expenditure on old-age provision in Germany as a percentage of gross domestic product (GDP) will rise from 9.6% in 2025 to 13.1% - pessimistic scenario - and 11% - optimistic scenario - in 2070 [Bundesministerium der Finanzen (2024), Sechster Bericht zur Tragfähigkeit der öffentlichen Finanzen 2024, March 2024].

[56] According to the German government's draft for the 2026 budget, €127.8 billion will flow into the pension insurance scheme in 2026 [FAZ (2025), Mehr für Rente als für Investitionen, Manfred Schäfers, 31 July 2025].

[57] EIOPA (2024).

[58] Potrafke, N. (2025).

[59] German Council of Economic Experts (2016).

[60] Noyer Group (2024), Developing European capital markets to finance the future, Proposals for a Savings and Investments Union, April 2024.

[61] Noyer Group (2024), Chapter 2, p. 30 ff.

[62] The Group speaks of around € 200 billion that could be channelled into long-term investments each year via labelled products.

[63] Noyer Group (2024), Chapter 2, p. 41 ff.

[64] Letta, E. (2024), Much More Than a Market. Speed, Security, Solidarity: Empowering the Single Market to deliver a sustainable future and prosperity for all EU Citizens.

EU. A central element of these considerations is also the creation of an SIU, based on an "incomplete Capital Markets Union".[65]

"EU Long-Term Savings Product" by 2025: Letta is in favour of creating an EU long-term savings product by 2025, which automatically includes savers ("auto-enrolment") but leaves them an opt-out clause ("EU-wide auto-enrolment Long-Term Savings Product"). He believes that there is room at EU level for both collective (company) and individual (private) long-term savings products. Regarding the taxation of products, Letta is open to (a) specific incentives at national level, (b) an agreement between some Member States within the framework of so-called "enhanced cooperation"[66] or (c) a unanimous agreement between all Member States.[67]

Revision of the pan-European private pension product (PEPP) by 2025: Like many observers, Letta also points out the weakness of the pan-European private pension product (PEPP). He therefore advocates a simplification and further development of the PEPP ("simplify" and "upgrade"), including the implementation of an auto-enrolment provision.[68]

Establishment of a company savings product: Letta also vaguely mentions the creation of a company savings product, possibly in the form of an EU long-term savings product.[69]

3.3 Proposals from Mario Draghi

In September 2024, Mario Draghi presented a report on strengthening EU competitiveness.[70] Draghi also found that the high level of savings in the EU is not being sufficiently channelled into productive investments in Europe. In particular, he criticised the fact that the volume of funds flowing into the capital markets is also limited by the fact that the second and third pillar pension systems in most Member States - with the exception of the Netherlands, Denmark and Sweden - are underdeveloped.[71]

Expanding the range of second-pillar pension schemes ("occupational pension schemes"): Draghi is therefore in favour of strengthening the second pillar of pension provision and calls for the successful examples he sees in some EU Member States to be emulated. In particular, the Member States should examine the introduction or further development of various types of products and schemes. The choice for working citizens should be expanded.

Pension dashboards: According to the report, alongside the expansion of occupational pension provision, EU citizens should also be given access to transparent and simple so-called "pension dashboards" enabling them to track their asset accumulation and future pension level.

Tax-exempt pension contribution: The report also proposes that a certain fixed share of pension contributions should be tax-exempt. This is intended to make occupational pension schemes more attractive.[72]

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65 Letta, E. (2024), p. 27 ff.

66 Within the framework of so-called enhanced cooperation, individual Member States can join forces in order to regulate an issue in a standardised manner (in this case, for example, the uniform taxation of savings products). The group of Member States must, however, contain at least 9 countries.

67 Letta, E. (2024), p. 30 and 39.

68 Letta, E. (2024), p. 30 and 39.

69 Letta, E. (2024), p. 30.

70 EU Commission (2024b).

71 EU Commission (2024b), p. 285.

72 EU Commission (2024b), p. 293.

3.4 Proposals from the European Insurance and Occupational Pensions Authority (EIOPA)

On 11 September 2024, the European Insurance and Occupational Pensions Authority (EIOPA) also presented a report with the aim of contributing to the debate on the introduction of simple and long-term European savings products - in this case in the form of a pan-European pension product.[73] EIOPA is focussing primarily on further development of the PEPP, whereby its weaknesses are to be eliminated and its advantages strengthened.

In particular, EIOPA proposes:

- **Development of the PEPP into a second and third pillar product:** EIOPA wants to expand the market potential of PEPP in order to make it more attractive for providers. This is to be achieved by adjusting the PEPP so that it no longer functions solely as a private pension product in future, but also as an occupational pension product (combined Pillar 2 and 3 product). EIOPA is, however, against an independent EU-wide occupational pension product.
- **PEPP value for money:** EIOPA recognises the calls for a relaxation of the fixed cost caps on PEPP products. It points out that whilst it believes value for money is important, it is open to fluctuating upper limits (higher in the short term, lower in the long term).
- **PEPP label for national products:** EIOPA wants each Member State to develop national PEPPs. These should meet a number of EU-wide common rules under EIOPA's oversight. If they do this, they will receive the "PEPP label". Providers wishing to offer PEPPs across borders could register with EIOPA and would then be subject to its supervision.
- **No obligation for national sub-accounts**: EIOPA does not want PEPP providers to have to offer a certain number of national sub-accounts, as previously stipulated in the PEPP Regulation. Instead, this should simply be an option.
- **Transfer of contributions into a PEPP:** EIOPA wants savers to be able to transfer the contributions they have accumulated in private non-PEPP pension schemes into the PEPP.
- **Auto-enrolment:** EIOPA is in favour of the automatic enrolment of EU citizens in a PEPP as soon as they reach the age of 18 or enter working life.
- **Pension tracking systems:** EIOPA wants to make it easier for EU savers to monitor their private, occupational and state pension entitlements via pension tracking systems.
- **Taxation and the 28th Regime:** EIOPA intends to maintain the recommendation that PEPP and national private pension products should benefit from the same tax relief, including for the enhanced PEPP. A so-called 28th Regime[74] will also be considered.

3.5 Proposals from the European Court of Auditors

In May 2025, the European Court of Auditors presented a special report on pension provision. In the report, the Court analysed whether the European Commission and EIOPA have "been effective in strengthening the role of IORPs and developing pan-European personal pension products (PEPPs)". In particular, it came to the conclusion that IORPs have so far only been active across borders to a limited extent and that this is primarily due to factors that cannot be influenced by legislation at EU level because the EU only has limited competence (see, for example, national competences in social, labour

[73] EIOPA (2024).

[74] A 28th Regime or 28th legal framework means the establishment of an optional legal framework. This would exist alongside the existing 27 different national legal systems of the EU Member States. It would not replace these national legal systems, but would exist as an additional, voluntary alternative.

and tax law). The low level of interest in the PEPP is in turn "due to the lack of tax incentives, the cost cap of 1% and existing alternatives". Nevertheless, the Court makes a number of specific proposals in the report. It proposes, among other things:

- **Strengthening the supervisory framework for IORPs:** The Court calls for the supervisory framework to be strengthened. The specific risks of defined contribution schemes should be taken into account more comprehensively. Furthermore, the Court advocates the introduction of a duty of care, which should also include the objective of achieving adequate returns. It also calls for additional safeguards to avoid conflicts of interest and a framework for handling complaints. In addition, measures should be taken to improve the quality of supervision and to minimise the risk of regulatory arbitrage.
- **Strengthening supervisory convergence:** The Court sees shortcomings in EIOPA's ability to implement and enforce supervisory measures for improving supervisory convergence.[75] The Court calls for EIOPA to step up its efforts in this regard and, in future, to prioritise those instruments (e.g. guidelines, recommendations and proceedings for breaches of EU law) that prove to be the most effective.
- **Assessment of systemic risks:** The Court criticises EIOPA's incomplete analysis of the impact of systemic risks on IORPs. It thus argues in favour of extending its assessment of risks to the funding levels of IORPs and their ability to generate returns that exceed inflation. It also argues in favour of including further parameters and assumptions in future climate stress tests.
- **Transparency on costs and returns:** The Court sees weaknesses regarding transparency on the costs and returns of pension products. Initiatives by the Commission and EIOPA have so far only had a limited impact. It therefore calls on EIOPA to systematically provide information on the costs and charges, performance and risks of old-age pension schemes from IORPs.
- **Pension tracking systems and pension dashboards:** The Court calls for additional efforts in the development and provision of pension tracking systems and pension dashboards. It sees these instruments, on the one hand, as a way to improve transparency about pension gaps in the Member States and, on the other, as a method of informing pensioners and beneficiaries about their (projected) pension benefits.[76]

3.6 Proposals from ECB authors

Some authors from the European Central Bank (ECB) have also considered how savings products, including those used for private pension provision, should be organised in the EU and in the Member States in order to make an effective contribution to the development of a Savings and Investment Union and to retirement provision. In particular, they focus on features that have proven successful in national initiatives and call for efforts to build on these success factors. Such factors would, they believe, include attractive tax provisions; broad scope for citizens when selecting products; low fees and the possibility of adjusting a portfolio ("rebalancing"[77]). In contrast, they identify high complexity

[75] According to the Court's assessment, the weaknesses are due to the fact that the IORPs Directive only provides for minimum harmonisation; EIOPA cannot issue any technical standards; the national level does not sufficiently take up EIOPA initiatives and the national pension systems differ too widely.

[76] European Court of Auditors (2025), Special Report 14/2025: "Developing supplementary pensions in the EU: EU action not effective in strengthening occupational pensions and establishing the pan-European personal pension product", Publications Office of the European Union, May 2025.

[77] This aims to adjust the investment strategy over time, usually from risky for young investors whose retirement is still a long way off, to less risky for older investors whose retirement is imminent.

levels, barriers to access, guaranteed returns[78] and limited tax advantages as factors that inhibit success. The following elements are particularly relevant for the authors:

- **Transparent fees:** The fee structure must be clear and transparent. The fees must be attractive for investors on the one hand and also generate income for the providers on the other.
- **Freedom of choice in investment options:** Investors should be able to choose between a variety of low and higher risk investment options, and it should also be possible to adjust the portfolio structure.
- **Minimum holding period**: In order not to undermine the ability to invest in long-term and higher-yield assets, minimum holding periods should apply, even if this may conflict with investors' liquidity requirements. A suitable trade-off is required in this respect.
- **Easy portability:** Portability of the savings product should be guaranteed and, ideally, uniform taxation if the product is taken abroad in the EU.
- **Broad accessibility:** The products must be available to a wide range of people and be compatible with different income levels and employment patterns.
- **Automatic enrolment:** Automatic enrolment should be encouraged for company and other savings programmes, with the option to opt out.
- **Consumer protection:** Confidence should be strengthened, for example, by way of clear information and rules for financial products.
- **Establishment of a label for compatible products**: Rather than creating new products and/or accounts, the authors favour the creation of a label that identifies products that are (a) suitable for consumers and (b) available across borders. Labelled products could then be included in national tax-advantaged savings accounts.
- **Definition of investment targets**: If necessary, requirements regarding investment objectives - green transformation, technological innovations - could be laid down.

Ultimately, the authors argue in favour of an approach in which both the EU and the Member States play an important role. Thus, they are considering EU-level guidelines regarding the overarching framework and main features of products with other aspects remaining under the control of national governments.[79]

3.7 Proposals from the Eurogroup

In March 2024, the Eurogroup also discussed the future development of the second and third pillars of pension provision in Europe. On 11 March, it published a declaration on the future of the Capital Markets Union.[80] In particular, it identified the creation of better opportunities for EU citizens to accumulate wealth and improve their financial security as a priority area of action for the 2024-2029 legislative period. Longer-term savings and investment products will also play a central role. The Eurogroup also explicitly refers to occupational and private pension schemes. It calls for

[78] The authors mention the German "Riester" pension as a negative example. In this case, the focus is on limiting losses, which has led to increased costs, a low risk propensity and low returns.

[79] Arampatzi, A. S., Christie, R., Evrard, J., Parisi, L., Rouveyrol, C., & Overbeek, F. V. (2025), Capital Markets Union: A Deep Dive-Five Measures to Foster a Single Market for Capital, ECB Occasional Paper, (2025/369).

[80] Eurogroup (2024), Statement of the Eurogroup in inclusive format on the future of Capital Markets Union, 11 March 2024, available here.

- **further development and improvement of** the **PEPP product** (task for the EU Commission),
- an **assessment of the availability of occupational pension products and the sharing of best practice**, and an examination of how EU citizens can be better integrated into occupational pension schemes (task for the Member States with the support of the EU Commission),
- the development of **pension tracking systems** that give citizens an overview of their future retirement income (task for Member States), and
- the establishment of a **pension dashboard** showing the development of pension coverage in the Member States (task for the EU Commission in cooperation with EIOPA and the Member States).

3.8 Proposals from the European Council and individual Member States

On 8 November 2024, the European Council adopted a "Budapest Declaration on the New European Competitiveness Deal". This calls for decisive steps towards a "Savings and Investment Union" but without initially specifying what this means for the future of occupational or private pension provision in the EU. It is, however, calling for progress to be made by 2026.[81] On 20 March 2025, it clarified these demands and called for EU citizens to have improved options for EU-wide savings and pension products based on best practice before the end of 2025 and pushed for a Commission proposal with improvements to the existing PEPP product.[82]

Box 1: Establishment of the "Finance Europe" label by seven Member States

In June 2025, a total of seven Member States[83] decided to launch the voluntary "Finance Europe" label. They want this label to establish a seal of quality which identifies savings and pension products that primarily channel financial resources into the European economy. Thus, at least 70% of the invested funds must flow into European assets and thereby help to finance the EU's strategic goals - e.g. strategic autonomy, economic security, digital and sustainable transformation. Eligible assets under the label are investments in equity - listed and non-listed shares or European Long-Term Investment Funds (ELTIF) -, bonds or in investment funds (UCITS and AIFs). Investments in crypto assets are not permitted. The products must have a long-term horizon. Thus, minimum holding periods of generally five years are envisaged for the investments. Market participants - such as banks and insurance companies - can use the label for their products, provided they fulfil its criteria but there will be no formal process for granting permission to use the label. National supervisors will, however, check ex-post whether the criteria are being complied with. Participating Member States are free to decide on the tax treatment of the labelled savings and pension products. However, they are committed to examining whether and how they can provide tax incentives for these products. The project of the seven Member States is being marketed as an important component in establishing the Savings and Investment Union promoted by the EU Commission, but it is not a project of the Commission itself.[84]

81 European Council (2024), Budapest Declaration on the New European Competitiveness Deal, 8 November 2024, available here.
82 European Council (2025), European Council meeting - Conclusions, 20 March 2025.
83 The seven Member States are Germany, France, Spain, the Netherlands, Portugal, Luxembourg and Estonia.
84 Finance Europe (2025), Setting common principles for the Label "Finance Europe", Signed Term Sheet, 5 June 2025.

3.9 Proposals from the EU Commission

In September 2024, Commission President von der Leyen issued the candidates for the post of EU Commissioner their work assignments for the legislative period in so-called mission letters. In doing so, she asked the Commissioner-designate for Financial Markets to look in particular at the potential of private and occupational pension schemes, both to help EU citizens provide for their retirement and to ensure that more of their savings are channelled into the economy.[85] In the following section, we will discuss the more far-reaching plans that the Commission has initiated since then.

3.9.1 Communication on the Savings and Investment Union

In March 2025, the EU Commission presented a Communication on the establishment of a "Savings and Investment Union" in which pension provision also plays a prominent role. In view of demographic trends, the Commission considers the strengthening of private pension provision in the EU to be crucial for ensuring the financial security of EU citizens, but also for strengthening the capital markets and mobilising funds for investments to finance growth and innovation in the EU.

In the Communication, the Commission argues in particular in favour of:

- **EU and national measures:** Political measures to strengthen private and occupational pension provision should be implemented at both EU and national level;
- **Best practice:** The Member States should learn from each other. Member States with less well-developed private pension systems should learn from those with well-developed systems;
- **Auto-enrolment:** The instrument of automatic enrolment/membership should be used more frequently, especially in occupational pension schemes;
- **Pension dashboards and tracking systems:** Pension dashboards and pension tracking systems should be established and increasingly used to give EU citizens a better overview of their pension entitlements and expected pension income and to simplify their financial planning;
- **A reform of the IORPs Directive and the PEPP Regulation:** The two EU legal frameworks for occupational pensions (IORPs Directive) and private pensions (PEPP Regulation) are to be revised, as they have contributed little to the (cross-border) promotion of occupational and private pensions.

At EU level, the Commission therefore intends to present recommendations, in Q4 2025, on learning from best practice, the implementation of automatic enrolment/membership and pension dashboards and tracking systems. Proposals to amend the IORPs Directive and the PEPP Regulation will also be presented in the same quarter.[86]

3.9.2 Consultation on company and private pension schemes

As part of a call for evidence launched on 23 June 2025, the Commission has further specified its plans to strengthen private and occupational pension provision, as outlined in the Communication on the Savings and Investment Union, and has revealed the direction that individual measures announced could take.[87]

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[85] EU-Commission (2024a).

[86] EU Commission (2025a), COM(2025) 124, Communication from the Commission, Savings and Investment Union - A Strategy to Foster Citizens Wealth and Economic Competitiveness in the EU, 19 March 2025, see also cep**Dossier**.

[87] EU Commission (2025b), Call for evidence, Supplementary pensions - Review of the regulatory framework and other measures to strengthen the sector, Ref. Ares(2025)4994415 - 23 June 2025, available here.

3.9.2.1 Pension tracking systems

According to the Commission, pension tracking systems already exist in some Member States enabling citizens to track their pension entitlements across several pension schemes. However, this is not the case in all Member States and in some cases they do not cover all existing pension schemes. The Commission wants this instrument to be more firmly anchored in order to sensitise citizens to old-age provision and facilitate their financial planning. In particular, it intends to make recommendations on the design of such systems and their coverage via the various pillars of old-age provision.[88]

3.9.2.2 Pension dashboards

According to the Commission, pension dashboards are important for identifying gaps in Member States' pension systems at an aggregated level, particularly with regard to their sustainability and adequacy. They are intended as an instrument to help Member States better recognise any deficits and react accordingly. They are also intended to help us learn from other Member States. The Commission wants to draw up recommendations for the design of such dashboards and, for example, specify which elements these dashboards should cover.[89]

3.9.2.3 Automatic enrolment/membership

According to the Commission, the Member States should increase measures for automatic enrolment/membership so that more EU citizens pay a greater proportion of their income into supplementary pension schemes. It also intends to issue a Recommendation to the Member States in this regard. In doing so, it wants to determine which approaches such an instrument should take and what should be its main features in order to be considered effective. One question that needs to be clarified from the Commission's point of view is, for example, whether citizens should be provided with a default option and, if so, what features this should have. It is also likely to push for early enrolment rather than shortly before retirement and intends to make recommendations for the organisation of pay-in and pay-out phases and on possible incentives for employers to make it easier for employees to join the scheme. It also wants to make recommendations on which existing national pension schemes could be considered for automatic enrolment/membership and which employees or self-employed persons this might be suitable for. The Commission also wants to comment on the question of how a possible opt-out should be organised and on the role of the social partners.

3.9.2.4 Revision of the PEPP Regulation

In its Consultation, the Commission openly admits that the introduction of the pan-European private pension product (PEPP) has not so far been a success and that it has not been widely accepted. Due to numerous deficits, it is therefore considering adjustments:

- **Changes to the standard PEPP product:** The Commission wants to simplify the standard PEPP product and make it more accessible. In particular, it wants to examine whether the standard option can be designed in such a way that investment advice is no longer required for its

[88] The open questions here are, most notably, which pension schemes such tracking systems should cover, how to ensure that the information is correct and objective and which content elements such systems should cover (acquired pension entitlements, simulations of pension entitlements, payout options, etc.).

[89] Open questions include, most notably, which pillars are covered by the dashboards, how granular and structured does presentation of pension scheme data have to be, which (standardised) methods are used to collect the data, and which dimensions should be taken into account when classifying performance of the pension schemes.

distribution,[90] whether the option always includes life-cycle strategies or other risk management techniques as a standard feature,[91] and whether the product can be considered a non-complex life-cycle product, whereby factors such as risk tolerance and investment horizon are already part of the basic structure of the product. In addition, the Commission wants to examine whether there is a need for other products in addition to the standard PEPP product that grant additional investment options.[92]

- **Changes to the sub-accounts:** The Commission wants to examine whether adjustments need to be made to the rules on opening sub-accounts. In particular, it is examining whether the rule requiring PEPP providers to offer sub-accounts for at least two Member States should be amended.[93]
- **Fee cap:** The Commission wants to examine whether adjustments need to be made to the existing 1% fee cap for the basic PEPP[94] and, if this were to be dropped, what alternative steps should be taken to maintain the affordability and comparability of basic PEPPs.
- **Risk minimisation techniques and guarantees:** The Commission intends to examine whether adjustments would be useful with regard to the requirements for the application of risk minimisation techniques and guarantees[95]. It expresses doubts regarding the appropriate balance between consumer protection and flexibility and incentives for PEPP providers.
- **Use of the PEPP for company pension schemes:** The PEPP is currently designed purely as a private pension product.[96] The Commission is now considering whether it could also be used for occupational pension schemes, for example by employers contributing to a PEPP or by employers offering the standard PEPP as a fringe benefit. Thus, the PEPP could potentially play a role as a standard option for automatic enrolment in an operational context.
- **Investment guidelines** PEPP providers must apply the prudent person rule when investing.[97] The Commission is also examining changes here, as the rule may not adequately fulfil the objective of achieving appropriate long-term returns.

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[90] Currently, the sale of a PEPP always requires advice or an individual suitability test, regardless of whether or not the PEPP is the basic or standard PEPP [see Art. 34 of the PEPP Regulation].

[91] Various risk minimisation techniques can currently be used with the basic PEPP. These include techniques that enable the PEPP saver to recover the capital or be given a guarantee on the invested capital. A life-cycle strategy in which the overall risk decreases progressively over time is also an option. However, PEPP providers currently have scope to choose which technique they use. Life cycle strategies are not mandatory. [see Art. 46 of the PEPP Regulation]

[92] PEPP providers are currently allowed to offer PEPP savers up to six investment options to choose from. The basic PEPP serves as one of these options. All investment options are structured on the basis of a guarantee or a risk minimisation technique. [see Art. 42 of the PEPP Regulation]

[93] Currently, PEPPs should include national sub-accounts. These serve to record the contributions made during the accumulation phase and the payments made during the benefit phase in accordance with the law of the Member State for which the sub-account was opened. When a PEPP contract is initiated by a PEPP saver, a first sub-account is opened immediately. PEPP providers were obliged by the PEPP Regulation to make sub-accounts effective for at least two Member States within three years of the Regulation coming into force. [see Art. 19 of the PEPP Regulation]

[94] The costs and fees for the basic PEPP are currently capped. Thus, they cannot exceed 1% of the accumulated capital per year. This should ensure cost efficiency and sufficient benefits for PEPP savers. [see Art. 45 of the PEPP Regulation]

[95] Currently, all investment strategies of PEPP providers must be based on risk mitigation techniques, building a stable and adequate individual retirement income and ensuring fair treatment of all generations of PEPP savers. They must be designed on the basis of risk mitigation techniques that ensure adequate protection for PEPP savers. These include, in particular, suitable guarantees, life cycle strategies or establishing reserves from contributions or investment returns. [see Art. 46 of the PEPP Regulation]

[96] PEPPs are currently long-term savings products for "private" retirement provision. They can be offered by financial companies (e.g. banks, insurance companies) and can be taken out in particular by savers for retirement provision. [Art. 2 (2) of the PEPP Regulation]

[97] PEPP providers are currently obliged to fulfil certain minimum requirements with regard to capital investment, unless stricter sector-specific requirements apply to them. These should give them the flexibility to decide on the safest and most efficient investment policy. At the same time, they must act in accordance with the prudent person rule and in the best possible long-term interests of PEPP savers. For example, they may invest assets - within the limits of the prudent person rule - in such a way that the security, quality, liquidity and profitability of the portfolio as a whole is guaranteed. In addition,

- **Competition with national pension products:** The Commission believes that national pension products have a competitive advantage over the PEPP and is looking for ways to change the PEPP regime in order to compensate for the disadvantages.
- **Distribution rules:** The Commission expresses concerns about the existing sales rules[98], particularly in comparison with the requirements applicable to insurance intermediaries, and is looking for ways to optimise them.
- **Transfers between pension products:** In order to make PEPPs a success, the Commission is examining whether it should be possible in future to transfer saved assets from existing national pension schemes to a PEPP. This is also intended to increase competition between different pension schemes.
- **Transparency rules:** The Commission is examining a revision of the existing transparency rules for PEPPs.[99] This relates in particular to their reasonableness and the question of whether they are disadvantageous by comparison with transparency requirements for national pension products and should therefore be adapted and possibly relaxed. The Commission is also looking at integrating PEPPs into the pension tracking systems mentioned above.
- **Tax issues:** The Commission has recommended that Member States grant PEPPs the same tax concessions as national pension products.[100] They should therefore be subject to the same tax framework. The Commission is now examining further steps under tax law at EU level in order to achieve a level playing field between PEPPs and national products.

3.9.2.5 Revision of the IORPs Directive

In addition to the PEPP Regulation, the Commission also sees room for improvement of the EU legal framework for occupational pension schemes (IORPs Directive). The Commission has identified the following priorities:

- **Extending the scope of application:** The Commission is considering extending the scope of the IORPs Directive. Thus, according to the Commission, some institutions are currently not covered by the Directive or other sector-specific EU legislation, even though they are funded, serve similar purposes and/or are linked to an occupation.[101] The Commission sees potential here for extending the scope of the Directive in order to increase the level of protection for members and beneficiaries and make it more uniform. It envisages bringing new facilities into the scope of the Directive and then applying either only some or all of the provisions of the (adapted) Directive to these facilities.
- **Relaxation of investment rules:** The Commission is considering amending the investment rules.[102] It criticises the fact that the investment returns for pension scheme members and beneficiaries are

they should be invested primarily on regulated markets and only at a prudent level on non-regulated markets. Excessive risk exposure to single counterparties should be avoided and investments should be appropriately diversified. [see Art. 41 of the PEPP Regulation]

98 The extensive distribution rules are currently enshrined in Art. 22 ff. of the PEPP Regulation.

99 The extensive transparency rules are currently enshrined most notably in Art. 26 ff. of the PEPP Regulation.

100 See Commission Recommendation on the tax treatment of personal pension products, including the pan-European Personal Pension Product, C(2017) 4393, 29 June 2017.

101 The IORPs Directive currently applies to institutions for occupational retirement provision (IORPs). These include, most notably, pension funds and pension schemes. However, social security systems (e.g. statutory pension insurance) are not included. Institutions that are already covered by other EU legislation (e.g. Solvency II Directive), institutions that rely on the pay-as-you-go system or companies that set up pension provisions for the payment of pension benefits to their employees are also not included. [see Art. 1-5 of the IORPs Directive]

102 The investment rules are currently enshrined in Art. 19 of the IORPs Directive.

regularly too low[103], and therefore wants to examine expanding the range of asset classes in which IORPs are allowed to invest. Although it regards the prudent person rule, which is also enshrined in the IORPs Directive, as an important cornerstone of investment policy, it indicates that it would be open to certain relaxations. Firstly, it could imagine extending the permitted assets to unlisted securities or alternative asset classes in order to increase earnings, provided that certain precautions are taken. And secondly, it sees likely potential in restricting special rules in the Member States. For example, it points out that some of these national rules have unnecessarily restricted the scope of permissible investments by IORPs and sees opportunities for simplification here, particularly with regard to concentration limits and investments in alternative assets and unlisted assets. In order to support these potential simplifications, which are likely to increase investment risk, the Commission is also considering strengthening the requirements for risk management[104] and supervision[105]. Firstly, the Commission is considering the introduction of a duty of care to protect members and beneficiaries. Secondly, it is likely to tighten the requirements for risk management and grant the supervisory authorities additional powers of intervention. The latter are to be given additional powers to review the investments made by IORPs.

- **Size of IORPs:** The Commission criticises the small size of IORPs in the EU compared to other jurisdictions and believes that this shortcoming is a barrier to portfolio diversification and long-term investment, reducing returns and driving up costs. It is therefore looking for ways, including changes to the IORPs Directive, to change this and enable IORPs to grow in the EU.
- **(Cross-border) transfers:** The Commission indicates that, in its view, there are still barriers to the (cross-border) transfer of the liabilities and technical provisions of a pension scheme to a receiving IORP.[106] These obstacles thus inhibit the development of economies of scale at national and European level. It is therefore looking for ways to counter these obstacles, for example by defining the majority of members and beneficiaries required to consent to a cross-border transfer, which would be standardised across the EU.
- **Cross-border activities of IORPs:** The Commission doubts that the current IORPs legal framework allows IORPs to operate smoothly across borders.[107] It wants to identify practical obstacles and delays and overcome them as part of the revision of the Directive. It is considering, for example, simplifications to the existing cross-border reporting procedures (e.g. adjustments to the notification period of up to six weeks). It is also examining adjustments to supervisory powers with regard to cross-border activities. This concerns, for example, cooperation between the supervisory authorities of the home and host Member States of IORPs.
- **Transparency requirements:** The Commission criticises the fact that members and beneficiaries are currently not always informed in a sufficiently uniform manner because the disclosure requirements can vary depending on the provider and the quality of the information provided is not always satisfactory.[108] In particular, it sees potential for clearer and more effective disclosure requirements, for example with regard to costs, returns, risk indicators and pension benefit forecasts).

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[103] The Commission cites an analysis which, adjusted for inflation, calculated an average performance for the second pillar of pension provision at around 0.9 % over the last ten years.

[104] The rules on risk management are currently enshrined in Art. 25 of the IORPs Directive.

[105] The supervision rules are currently enshrined in Art. 45 of the IORPs Directive.

[106] The rules on cross-border transfers are currently enshrined in Art. 12 of the IORPs Directive.

[107] The rules on cross-border activities are currently enshrined in Art. 11 of the IORPs Directive.

[108] Currently, the provisions on the duty of disclosure to potential members, members and beneficiaries are set out in Art. 36 ff. of the IORPs Directive.

- **Pension tracking systems:** To increase transparency, the Commission also sees potential in the inclusion of pension schemes in national pension tracking systems - similar to the PEPP. These digital systems could also be used to integrate the information to be provided under the disclosure requirements.
- **Tax issues:** Finally, the Commission wants to further reduce tax obstacles that make cross-border occupational pension schemes more difficult and is examining further steps to this end.

4 (Interim) conclusion

The EU Commission's plans to establish a savings and investment union and the associated debate on strengthening private and occupational pension schemes comes too late rather than too early. Additional efforts are urgently needed at both national and EU level. In view of the demographic challenge, the pressure on pay-as-you-go pension systems and the enormous need to generate financial resources for productive investment in the transformation of European economies and for strengthening European competitiveness, the two pillars, which currently have only limited significance in many Member States, can provide important support. In recent weeks and months, numerous scientists, supervisors, governments and also the EU Commission have developed ideas for reforms at EU level, which is the focus of this publication. Further cepPublications will examine the proposed concepts in greater depth, develop their own approaches to reform and finally contextualise the Commission's specific planned legislative and non-legislative proposals in terms of regulatory policy.

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