Association Européenne des Institutions Paritaires

European Association of Paritarian Institutions

Savings and Investment Union

AEIP input to European Commission's Call for Evidence on the Savings and Investment Union

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European Association of Paritarian Institutions (AEIP)

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AEIP welcomes the initiative of the Savings and Investment Union

The European Association of Paritarian Institutions (AEIP) welcomes the aim of the Savings and Investment Union (SIU) to leverage the enormous wealth of private savings in support of EU's wider objectives and to focus action on supporting people to save better, fostering capital for innovation, unlocking digital finance, ensuring the competitiveness of the financial sector and harnessing sustainable finance. Possible avenues for the future of the SIU are discussed in the Competitiveness Compass and the recent reports by Mario Draghi and Enrico Letta. These initiatives highlight the urgent need for deeper capital markets and increased financing to sustain pension systems, to enhance Europe's competitiveness and strengthen the capital market union. A central recommendation is to work on the potential of private and occupational pensions to help EU citizens plan for their retirement and channel their savings into the economy.

In this paper AEIP presents its views on the future of the SIU and emphasises that the efforts of the EU institutions should focus on further promoting and expanding paritarian occupational pensions and supporting the exchange of best practices in this respect. Paritarian institutions are non-for-profit social protection institutions, such as pension funds, established and managed by employers and trade unions on a joint basis within the framework of collective agreements. EU institutions should take a holistic approach, meaning they should address all the factors that impact financial well-being in retirement: not just the size of our savings, but also our health, longevity, inflation, and the diverse needs of individuals. This imply, it will be important that different DGs of the European Commission and its Units work together.

Box 1: AEIP recommendation to the European Commission: Occupational pensions (second pillar), and its regulation should always be conceptualised in conjunction with the applicable social and labour laws, and first pillar and the broader pension and (national) social security systems

1. Increase coverage and support the growth of paritarian occupational pensions schemes

According to the Mario Draghi report "in 2022, EU household savings were EUR 1,390 billion compared with EUR 840 billion in the US." The recent EU Competitiveness Compass adds that "the EU's household saving rates was 65% larger than in the US in 2022. Yet, the EU's financial sector does not channel them efficiently to productive investment or allocate sufficient capital to innovation in the EU economy. As a result, citizens do not get adequate returns on their savings and every year EUR 300 billion of savings from Europeans are invested in markets outside the EU." From our perspective, these figures indicate that the core challenge is not a lack of savings by EU citizens or inadequate supply of saving/investment options, but rather uncertainty and a lack of trust in the investment market (and the EU single market). In our view, the issue that needs to be tackled is the reluctance to invest in the markets due to uncertainty. Occupational pension saving through pension funds is the most successful way to give people access to financial market investments with sound management of risks and returns, creating the necessary trust among individuals.

One initiative, the Pan-European Personal Pension Product (PEPP) Regulation, came into effect in March 2022, launching a new, standardised EU savings product that would bypass disparate domestic rules and promote competition for the benefit of savers while helping to channel savings towards long-term financing needs offering a voluntary personal pension scheme. However, its implementation has largely failed, necessitating a review during the current Commission's mandate. In September 2024, EIOPA published a staff paper on the future of the Pan-European Pension Product which suggest, among other things, to combine occupational and personal PEPP in a single pension product and introduce auto-enrolment in it. Similarly, Enrico Letta in his report suggests by 2025 to "create an auto-enrolment EU Long-Term Savings Product with the aim to create collective and individual long-term saving plans at the EU level". For a comprehensive response on our views regarding auto-enrolment in EU long-term savings products, please see Annex I. For a detailed reply to EIOPA's staff paper on PEPP, see Annex II.

Such proposals pose challenges for national occupational pension schemes. Regardless of the lack of a clear legal basis for such legislation in the EU Treaties, introducing another savings or investment product—particularly a European one—is not a sustainable solution, as it could add complexity and merely shift savings from one vehicle (e.g., pension funds) or investment product to another. This issue is particularly relevant in countries where collective agreements mandate employee participation in occupational pension schemes and where auto-enrolment is already in place. It raises questions about whether an EU-wide auto-enrolment product would apply exclusively to employees or if national provisions on occupational pensions would take precedence, making a uniform EU-wide approach unnecessary and potentially disruptive. These among others, highlight the shortcomings of a one-size-fits-all approach. Nevertheless, we agree that auto-enrolment in national pension schemes and statutory participation can lead to wider coverage and higher saving rates towards pensions.

To support people, save better and to help EU citizens with their retirement we argue that rather than focusing on a new or revised EU-centralised product, the EU should prioritize expanding coverage and strengthening paritarian occupational pensions. This can be achieved by strengthening industrial relations and reinforcing the role of social partners in shaping pension policies through collective agreements which can lead to an increase in the mandatory occupational pension plans. As mentioned above we agree that another approach to increasing coverage is the introduction of auto-enrolment, not at EU level long-term savings products but within national occupational pension schemes; the decision on whether this approach is appropriate and necessary should be left to each Member State. Additionally, to help individuals save more effectively, it is crucial to ensure that contributions are sufficient to provide adequate pensions. Expanding occupational pensions would provide a more sustainable and equitable approach to securing Europeans' financial futures in retirement, while defending the European social model, and respecting the national competences of the Member States in the area of pensions.

Box 2: AEIP recommendation to the European Commission: Promote occupational pensions schemes for all Member States, by encouraging social dialogue and the establishment of collective agreements to increase mandatory occupational pension plans

We call the European Commission to:

- ➔ Prioritize ways to **increase coverage and the expansion of paritarian occupational pensions**.

- ➔ Further **promote social dialogue** by encouraging Member States to **involve social partners** in policymaking and lawmaking and by **providing financial support** to transnational projects carried out by social partners.
- ➔ Encourage Member States to **strengthen collective bargaining and social dialogue** as key measures for improving **mandatory participation in occupational pensions**.
- ➔ Foster the **capacity-building of social partner organizations** at the national level and enhance awareness and knowledge of the **European Social Fund Plus (ESF+)** and its role in supporting the capacity-building of social partners.
- ➔ Support Member States to assess the benefits of **automatically enrolling employees** in occupational pension plans when they start a job and to implement measures supporting this approach.
- ➔ Facilitate discussions among Member States on the challenges and solutions related to **increasing occupational pension coverage**.
- ➔ The European Commission's actions should be **targeted to the needs and overall situation of each Member State**. To tackle the pension gap and enhance pension adequacy, we suggest that the **European Commission issue country specific recommendations under the European Semester cycle to expand occupational pension coverage**. To effectively assess progress towards this aim, the European Commission could assess whether a Member State has announced or adopted measures, such as increasing collective bargaining, expanding coverage under collective agreements, strengthening the role of statutory funded schemes or introducing auto-enrolment. Additionally, the European Commission should explore ways to link such pension system reforms to **funding incentives under the Multiannual Financial Framework**.
- ➔ Promote the **exchange of best practices among Member States** regarding **financial incentives**, such as tax advantages for employers and individuals, to encourage higher pension savings and ensure long-term sustainability.
- ➔ Discussions should be expanded to cover how **contributions are managed**, including payment methods, contribution caps, and other relevant mechanisms.

Based on these discussions, we suggest that the European Commission develop recommendations on best practices for improving participation in occupational pensions across Member States.

2. Promote tax incentives for occupational pensions and encourage mutual learning among Member States

We welcome Mario Draghi's report which calls for stronger pension systems and emphasises on expanding enrolment in occupational pensions. As Europe faces growing demographic challenges and shifts in the labour market, strengthening second-pillar pensions is essential to ensuring adequate and sustainable retirement incomes for all workers. Moreover, we agree that targeted financial (and non-financial) initiatives for both employers and individuals are necessary to stimulate higher pension savings. A well-structured framework that makes pension saving attractive and accessible will not only benefit individuals but also contribute to the success of the single market.

Box 3: AEIP recommendation to the European Commission: Consider and build on Mario Draghi's ideas on pensions

We suggest that the European Commission:

- ➔ Encourage Member States to **increase enrolment in occupational pension plans** to enhance retirement security.

- ➔ Facilitate **mutual learning among Member States** on lessons learned about setting up occupational pension schemes and evaluating options of expanding such schemes for all workforce participants.
- ➔ Encourage Member States to introduce **financial incentives**, such as tax advantages for employers and employees, to stimulate higher pension savings and ensure long-term sustainability.

3. Occupational pensions are playing an increasingly vital role in securing adequate retirement incomes across the EU, but this varies from country to country

The role of occupational pensions is expanding, and the European Commission should support this positive trend. Given that occupational pensions are deeply rooted in national labour and social security laws, EU policymaking must respect the diversity of national systems and Member States' competence while promoting their continued growth and sustainability.

Box 4: AEIP observation from the European Commission's Pensions Adequacy Report 2024 (available here)
The Pensions Adequacy Report identifies **four main pension reforms** enacted in the EU Member States between July 2020 and July 2023. The first trend involves measures aimed at **improving income maintenance and making pension systems more socially resilient and equitable** through enhancing access and accruing entitlements. This includes, among others **promoting savings in occupational schemes and enhancing the role of funded pension schemes** either through **enhancing the role of collective occupational plans or by strengthening the role of statutory funded schemes**.

Individuals who participate in an occupational pension scheme tend to feel more financially secure and confident about their retirement. Having an occupational pension plan allows individuals to know that they have a stable and adequate income in later years. This sense of financial security is further enhanced when employees' and employers' representatives are involved in setting up and managing the pension scheme. This is because paritarian pension funds ensure the representation of diverse perspectives and interests within management boards, which helps promote good governance and ensures compliance with the prudent person rule. Moreover, transparency is maintained, and employer contributions are consistently paid, which increases trust among members and beneficiaries, making them feel more confident in their long-term financial planning.

Box 5: AEIP observation from EIOPA's Consumers trend report 2024 (available here)
Individuals' **confidence in occupational pensions is evident in countries with strong occupational pension markets**. In the NL (25%), DK (22%), and FI (14%), a significant share of citizens does not see the need for a personal pension product because they are satisfied with their occupational pension schemes. Moreover, 65% of individuals with both an occupational pension and a personal pension product feel more confident about their retirement, compared to just 36% of those without any pension savings. More than half of **EU consumers trust their employer to ensure a good retirement outcome**, with the highest levels of trust observed in the NL (70%) and SE (66%), countries where occupational pensions are well-established. 17 out of 25 responding NCAs confirm that **IORPs align their activities**

and decisions with the interests of members and beneficiaries, reinforcing the reliability of these schemes.

In various instances the Court of Justice of the EU (CJEU) has underlines that “It should be recalled that, as European Union law stands at present, the Member States and, where appropriate, the social partners at national level enjoy broad discretion in their choice, not only to pursue a particular aim in the field of social and employment policy, but also in the definition of measures capable of achieving it”,[1] adding that, “those considerations also apply as regards the aims pursued under an occupational pension scheme in a contract of employment.”[2]

Box 6: AEIP recommendation to the European Commission: Encourage the growth of the paritarian model under its new Action Plan on the implementation of the European Pillar of Social Rights

- ➔ It must be realised that **Member States and social partners have the authority to set the goals of pension schemes and define how they should function**, without strict interference from EU.
- ➔ The European Commission has announced that it will draft and present a new Action Plan on the implementation of the European Pillar of Social Rights. **Specific actions could be introduced under Principle 15 ‘Old age income and pensions’ and/or Principle 8 ‘Social dialogue and involvement of workers’** with a focus on the **paritarian model** and its role in safeguarding occupational pensions for employees.
- ➔ The European Commission needs to **avoid overly broad financial regulations** that impose unnecessary costs on social protection schemes.
- ➔ The European Commission should **support Member States and social partners in strengthening their occupational pension frameworks** without disrupting existing, well-functioning systems.

4. Paritarian occupational pensions support people to save better and must be distinguished from long-term savings products

Belonging to the welfare state and offering social protection, paritarian institutions exhibit distinct qualities compared to other participants in the financial market. Paritarian institutions, operate as ‘not-for-profit’ entities, fulfilling a crucial social role in ensuring adequate social protection. They do not engage in product sales but rather serve members and beneficiaries with retirement, healthcare, unemployment benefits, or other benefits as defined by collective agreements. Mandatory affiliation based on employment relationships, regulated and protected by national social, and labour laws, further distinguishes these institutions from pure financial market entities. Paritarian social protection institutions are established and managed by employers’ representatives and trade unions on a joint basis within the framework of collective agreements, so by construction they do not present any conflicts of interest, and they represent the diverge interests of their members and beneficiaries.

[1] Case C-144/04 Mangold [2005] ECR I-9981, paragraph 63; Case C-411/05 Palacios de la Villa [2007] ECR I-8531, paragraph 68; Case C-476/11 HK Danmark [2013], paragraph 60; Case C-546/11 Dansk Jurist- og Økonomforbund [2013], paragraph 50.

[2] Case C-476/11 HK Danmark [2013], paragraph 61.

Another key distinct aspect is that paritarian occupational pension schemes embody the principle of solidarity. According to the CJEU this principle derives from the fact that there is an obligation to accept all the workers in the schemes (i.e. due to mandatory affiliation) without prior approval or examination (i.e. health issues examination).[3] The principle of solidarity is also apparent from the absence of any equivalence, for individuals, between the contribution paid, which is an average contribution not linked to risks, and pension rights, which are determined by reference to an average salary. The purpose of paritarian pension funds fully aligns with the overarching goal of (tackling the pension gap) providing better coverage and retirement outcomes for EU citizens while leveraging savings to enhance EU competitiveness and economy. Significantly, paritarian pension schemes contribute to better pension adequacy and a higher standard of living.

Box 7: AEIP recommendation to the European Commission: Realise the potential of paritarian pensions to tackle the pension gap

To our knowledge, paritarian IORPs are generally functioning well and effectively. Many of them have existed for quite a long time (usually several decades), with lean administration and asset management structures. Attention needs to be given to the **advantages of paritarian pension funds** as we strongly believe that they can foster the ambition of the European Commission, precisely the Commissioner for Financial Services and the Savings and Investment Union to (*see for instance the relevant mission letter*):

- Develop a European savings and investment Union, to leverage the enormous wealth of private savings in support of Union's wider objectives.
    - *Paritarian pension funds are **important long-term investors**, contributing to sustainable economic growth and financial stability.*
    - *For an elaborated reasoning of our view on this topic see below, section 6 'Foster a robust internal market to finance the policy goals of the EU'.*
- ***AEIP Recommendation:*** *The European Commission needs to **engage with paritarian pension funds to better understand their investment needs and practices**, keeping in mind that the **primary goal of paritarian pension funds is to provide adequate pensions** to their members and beneficiaries, as stipulated in collective agreements or employment contracts.*

- Support people to save better.
    - *The **trust and representation** associated with paritarian funds can serve as a strong incentive for employees to save more for retirement and secure a stable retirement income; this contributes to better pension adequacy.*
    - *The paritarian governance model is deeply rooted in the **principles of solidarity and collective risk-sharing mechanisms**, which play a crucial role in ensuring fairness, risk-sharing, and pension sustainability.*
    - *The paritarian governance model ensures that **individuals with limited or no financial literacy can save for retirement** by providing structured, collectively managed pension schemes that do not require active financial decision-making.*

- Work on the potential of private and occupational pensions to help EU citizens with their retirement and channel their savings into the economy.

[3] See for instance CJEU: Case C-67/96 Albany International BV/Stichting Bedrijfspensioenfonds Textielindustrie, Joined Cases C-180/98 to C-184/98 Pavel Pavlov and Others, Case C-115/97, C-117/97 Brentjens, Case C- 159/91 and C-160/91 Christian Poucet.

   - *Paritarian pension funds have demonstrated their **effectiveness as vehicles for promoting occupational pension plans**.*

- ***AEIP Recommendation:*** *In its future Communication on the SIU, we suggest to the European Commission to **encourage Member States to acknowledge the advantages of paritarian pension funds** and promote the development of paritarian model, as it fosters the growth and establishment of occupational pensions and foster trust between the pension fund and the member and beneficiary.*

5. Forster a robust internal market to finance the policy goals of the EU

We advocate for a well-functioning internal market. Paritarian institutions are important institutional investors, making substantial contributions to long-term investment and sustainable growth. A well-functioning internal market can provide better access to diverse sources of capital across the EU by creating more opportunities to invest, including cross-border investments. This can help paritarian institutions to reduce costs, improve portfolio performance and risk management. Ultimately, this can lead to higher social protection benefits for paritarian funds' members by facilitating safer savings, achieving higher returns while reducing costs. Additionally, it can increase the amounts of capital invested in the EU to finance its broader policy goals.

The European Commission mentions in its call for evidence that the SIU will contribute to achieving wider economic and social objectives, notably supporting the green and digital transitions and ensuring economic and social sustainability for the EU in the long term. Adding that the EU increasingly needs massive amounts of capital, such as savings, to finance its broader policy goals including competitiveness, innovation, green, digital and defence investments. We wish to underline that paritarian pension funds already have ambitious responsible investment policies in place, which demonstrate a proactive approach towards sustainability and social objectives. For instance, more and more social protection funds consider the negative impact of investments on the environment and societies (inside-out perspective); voluntarily in line with the OECD Guideline and UN Guiding Principles on Business and Human Rights.

Additionally, the current IORP II Directive already requires pension funds to explicitly disclose how ESG factors are considered in investment decisions and how they are integrated into their risk management systems. It is also important to note that paritarian pension funds, established through collective agreements, always comply with the prudent person rule in their investment decisions. Paritarian pension funds must meet certain minimum standards regarding their activities and operational conditions, in line with national rules and traditions.

Furthermore, their social function and the triangular relationship between the employee, employer, and IORP further reflect their shared interest in investing in social objectives. Social partners oversee the activities of IORPs, ensuring a control mechanism is in place to protect members' interests and ensure compliance with their fiduciary duty to achieve their core purpose which is to provide pensions, as stipulated in collective agreements or employment contracts.

Box 8: AEIP recommendation to the European Commission: Realise the specificities of paritarian pension funds and create the necessary financial environment to further attract targeted investments in the EU single market

- ➔ The European Commission should recognize that the **primary goal of paritarian pension funds is to provide adequate pensions** to their members and beneficiaries.
- ➔ **Pension funds should not be pressured to compromise their core aim of offering pensions in the interest of EU competitiveness**, as this contradicts their social purpose and establishment. Overall **pension institutions (first and second pillar)** must retain their **investment freedoms** and maintain fundamental autonomy in their investment policies.
- ➔ The European Commission must **engage with the pension sector to identify initiatives that could attract more investments** without compromising the long-term objectives of pension funds or negatively impacting pension outcomes for their members and beneficiaries.

6. Encourage the establishment of pension tracking services and promote financial literacy

Transparency contributes to public trust in the pension sector. We note that paritarian pension funds ensure representation of "diverse perspectives and interests" within management boards to help promote good governance and comply with the prudent person rule. Also, we are in favour of the development of pension tracking services, as such tools can empower individuals to make informed decisions about their future, fostering financial literacy and encouraging greater participation in long-term savings. Ensuring that workers have a full overview of their pension entitlements promotes engagement and help bridge existing pension coverage gaps. Additionally, we note that the European Tracking Service on Pensions project is currently ongoing, aiming to connect data from national pension tracking services. So far, the Belgian and French pension tracking services have been connected. Pension tracking services should not be confused with the EU-wide pension dashboard, which can provide an overview of the pension landscape and other relevant information. The idea of a pension dashboard is a positive suggestion.

Box 9: AEIP recommendation to the European Commission: Encourage the establishment of pension tracking services

- ➔ We suggest that the European Commission encourage and support Member States in establishing or further **improving pension tracking services** to help individuals better understand and manage their retirement savings.
- ➔ The European Commission should follow up on EIOPA's technical advice **regarding the establishment of a 'Pension Dashboard'**. Such initiatives are valuable for providing a clearer overview of national pension systems across Member States. However, this should not result in comparative results or a one-size-fits-all approach, as pension systems are highly diverse.

7. Enhance the rationalisation of reporting requirements and administrative burden

Administrative burdens and regulatory obstacles pose significant challenges, especially for small and medium sized paritarian institutions such as IORPs or paritarian healthcare providers. These burdens not only strain operational capabilities but also impose financial costs on members and beneficiaries, ultimately compromising social protection benefits. While acknowledging the importance of reporting, it is crucial to ensure that regulatory frameworks across the EU embrace the principle of proportionality adequately and coherently, respecting a minimum harmonisation approach. AEIP fully supports that transparency and accountability are crucial in managing pension and healthcare funds, still overly excessive reporting requirements can have detrimental effects on these funds' efficiency. AEIP believes that the way forward is to make reporting simple and relevant (proportional) and always consider a cost-effective approach for pension and healthcare funds and their members and beneficiaries.

Box 10: AEIP recommendations to the European Commission: Enhance the rationalisation of reporting requirements

- In the Single Market Strategy for 2025, we call for the European Commission to enhance the **rationalisation of reporting requirements and limit the tendency to regulate horizontally**.
- Striking the right balance between regulatory oversight and the operational **needs of social protection institutions is paramount**.
- For more information about **our input to the Single Market Strategy for 2025** please see here.

Annex

Annex I: AEIP Remarks on Enrico Letta's idea of creating an auto-enrolment EU Long-Term Savings product

There are significant differences in pension systems among Member States, particularly regarding funded pensions. To address pension challenges, Member States continuously introduce and undergo reforms aimed at achieving adequate replacement rates within their systems. Furthermore, societal norms, economic conditions, and historical factors contribute to the unique design and implementation of pension systems. Additionally, pension systems vary significantly due to differences in national social and labour laws. In many countries, the decision to establish an occupational pension plan, along with its access conditions and benefit formula, is made by the organizer (i.e., the employer or sector). Because the organizer determines the specific structure of the pension plan, a wide variety of pension formulas exist. In some countries, Defined Contribution (DC) occupational schemes can be supplemented with voluntary contributions. Although these contributions belong to the third pillar due to their voluntary nature, they are often paid into second pillar managed occupational schemes, making them statistically indistinguishable from second-pillar funds. This complexity complicates cross-country comparisons of pension schemes and makes it difficult to clearly differentiate replacement rates derived from the first pillar, occupational second pillar, and voluntary third pillar.

Auto-enrolment EU Long-Term Savings Product threatens occupational pension schemes	
Legal Basis	• The EU can support and coordinate efforts to enhance social protection across Member States, but it cannot impose legislation in this area. • The EU should therefore vigorously nudge Member States to promote enrolment into pension schemes with adequate premium levels.
Occupational pensions are not private products	• Occupational pensions are not merely financial products; they are an integral part of the welfare state and social protection systems. • They are designed to complement public pensions and are often based on collective agreements between employers and employees, ensuring long-term income security in retirement.

	• Unlike private savings or investment products, occupational pensions operate within a regulatory and social framework that reflects national labour markets, social policies, and welfare traditions. • Any policy discussions should recognize their role as a pillar of the pension system rather than treating them as standalone financial instruments.
Disruption of social dialogue at national level	• Introducing an EU-level auto-enrolment savings product should not interfere with collective agreements by shifting savings away from existing national schemes. • Any initiatives should not affect workers enrolled in well-established sectoral or company-based pension plans.
Differences in tax treatment	• Pension schemes operate within national tax and regulatory frameworks, which define contribution limits, tax advantages, and payout conditions. The European Commission should nudge Member States to provide tax incentives for pension accruals, regardless of the type of pension scheme.

Annex II: AEIP view on EIOPA's staff paper 'A simpler and long-term European savings product: the future Pan-European Pension Product'

In response to EIOPA's staff paper on PEPP and in anticipation of any potential review or consideration in the SIU communication, we would like to share our views on PEPP. We think that the overall aim of the review of the PEPP initiative should be to reduce the pension gap, while safeguarding the existing well-functioning pension systems. We would like to stress that the uptake of financial products in the context of pensions depends on various factors, among others - the national institutional framework for pension provision, state of the economy, demographics and in particular, tax incentives. These factors differ from one country to another, making also the demand for third pillar product such as PEPP different in all Member States.

EIOPA's staff paper possible supply side measures

Combine occupational and personal PEPP in a single pension product by allowing tax-efficient employer contributions alongside personal contributions to make PEPP a second and third pillar pension product.

EIOPA, in its staff paper, favours a second and third pillar PEPP, rather than a new EU-wide occupational pension product alongside a third pillar-only PEPP. The paper also references the Plan d'Épargne Retraite (PER) in France. While we recognize the potential benefits of this approach, we highlight that in France, the PER is offered on a voluntary basis, except for the 'mandatory company PER.' This becomes compulsory if the company head decides so, if an agreement is ratified by a majority of employees, or if a collective bargaining agreement mandates it. This means that the decision to make the product compulsory rests with the employer, social partners, or, if applicable, a collective agreement.

The voluntary nature of the PER product undermines EIOPA's proposal (*mentioned in the section 'Possible demand side measures'*) to introduce auto-enrolment in the PEPP, as evidenced by the fact that, in the case of the PER, it is the employer or social partners who decide whether it should become compulsory for all employees. This highlights the importance of respecting the national representative model and the role of social partners. Additionally, it is pointed again that second pillar pensions are governed by national social and labour laws, which fall within the exclusive competence of Member States.

Furthermore, like all other national pension plans, whether second or third pillar, the PER is regulated by prudential and tax laws. Second pillar pensions are additionally governed by national labour and social laws. Given these considerations and the fact that PEPP has not yet proven successful, indicating that developing a viable personal third pillar pension product at the EU level is a complex task, we believe that creating an EU-level occupational pension "product" would be even more challenging if not impossible.

AEIP observation

We believe discussions on improving **PEPP should be limited to the third pillar**.

Focus the PEPP conversation on value for money rather than on the absolute level of costs

We welcome EIOPA's approach of focusing the conversation on value for money, as we agree that the goal is to provide higher returns and better pensions for individuals. In its staff paper, EIOPA states that "the industry wants higher cost and fee caps, while EIOPA holds the view that the focus should not be on the absolute level of costs per se, but rather on whether a PEPP offers value for money, taking into account the needs, objectives, and characteristics of savers."

From this statement, it is evident that EIOPA supports pension plans that deliver adequate pension outcomes tailored to individuals' needs and characteristics. We emphasize that this is precisely the key advantage of paritarian pension funds. As non-profit institutions, they prioritize pension outcomes for members over financial profit. Paritarian pension funds have a strong interest in keeping costs low, as excessive costs are detrimental to members' benefits and can make it unaffordable for many sponsors to establish adequate pension schemes. Furthermore, their representative model ensures that pension plans are tailored to the specific needs of workers across different industries, providing more relevant retirement solutions.

AEIP observation

We believe that the most effective way to achieve value for money in pensions is by **further promoting and expanding occupational pensions**. The **paritarian model offers significant advantages** due to its non-profit nature, its social purpose of providing occupational pensions, and its representative structure, which ensures that individual needs are recognized and addressed.

Create a PEPP label for national products

As a first remark, we are cautious about introducing another savings product. As we have already explained above, regarding the pension gap for occupational pensions we do not see a problem of supply but rather a need of expanding occupational pension schemes to cover more workers. Regarding third pillar pension products, we apply the same reasoning and argue that the main obstacles are individuals' financial incapacity to invest in such products, lack of awareness, low financial literacy, trust issues in the market and investment outcomes, as well as the complexity and costs of these products.

Consequently, we question whether a European pension product, particularly one spanning both the second and third pillars, would truly offer greater clarity and simplicity or, instead, add further complexity. This concern is especially relevant given that such a product would need to comply with diverse national tax, social, and labour laws while being supervised at the European level under EU-wide common rules. It is difficult for us to see how EU-wide regulations could align with all national rules without causing legal conflicts, violating the principle of subsidiarity, or circumventing collective bargaining agreements.

AEIP observation
We question whether a European pension product, particularly one spanning both the second and third pillars, would truly offer greater clarity and simplicity or, instead, add **further complexity**.

Reduce administrative burden

We agree that the condition to offer national subaccounts for at least two MS could be burdensome for some providers. Recital 6 of the PEPP Regulation states that "A portable PEPP with a long-term retirement nature will increase its attractiveness as a product, particularly to young people and mobile workers, and will help to further facilitate the right of Union citizens to live and work across the Union." Similarly, Recital 10 emphasizes that "PEPPs could broaden consumer choice or offer solutions to mobile citizens. However, PEPPs should not aim to replace existing national pension systems, as they are an additional and complementary personal pension product." Also, the European Commission's (2017) Impact Assessment on PEPP highlights that "The initiative (i.e. PEPP), by enhancing the cross-border portability of personal pension products, would contribute to further facilitating the free movement of workers, one of the key pillars of the internal market. Thus, the initiative is in line with the objective of promoting labour mobility."

EIOPA suggests allowing PEPP providers to voluntarily offer national sub-accounts for a given PEPP rather than making it a mandatory requirement. Given that one of the key reasons for creating PEPP was to establish a portable pension or long-term savings product to support the free movement of workers and enhance the functioning of the internal market, we question how removing the mandatory requirement for national sub-accounts in at least two Member States aligns with the original objectives of PEPP.

AEIP observation
We question how removing the mandatory requirement for national sub-accounts in at least two Member States **aligns with the original objectives of PEPP**, to enhance the cross-border portability of personal pension products.

Ensure PEPP's adoption

While we agree that transferring accumulated amounts from other personal pension products into PEPP could help achieve mass adoption, in our view this proposal points to the direction that PEPP is a better product to national products. In our knowledge, until today national products have been more successful than PEPP, especially considering that only one PEPP is registered. Additionally, we feel that this proposal has not consider the possible impact on existing pension products and their providers, such as undermining their role and financial capacity in case that the capital is moved to PEPP. In addition, we fail to see how this can increase pension coverage for individuals.

> ***AEIP observation***
> Transferring accumulated amounts from other personal pension products into PEPP **risk undermining their role and financial capacity**.

EIOPA's staff paper possible demand side measures

Introduce auto-enrolment in the PEPP

For an analysis of this part please see the Annex I.

Leverage pension tracking systems for PEPP adoption

We support the view that pension tracking systems are fundamental to tackle pension gap by identifying emerging gaps through better and more comprehensive information. This should benefit individuals by helping to ensure they use all the pension savings and rights to which they are entitled.

> ***AEIP observation***
> Regardless of PEPP, we call on the European Commission to **create and better establish a policy environment that promotes pension tracking systems** which can lead to better pension outcomes and help tackle pension gaps.

EIOPA's staff paper possible national and EU-wide measures

Grant the PEPP the same tax treatment as national personal pension products

EIOPA correctly highlights that taxation falls under the prerogative of Member States, with the EU having only limited competencies in this area. However, it is important to recognize that Member States do not grant tax incentives for pension and long-term savings products in isolation but rather in alignment with specific national pension policy objectives. These incentives are carefully designed to support existing pension frameworks and ensure long-term financial sustainability for retirees.

EIOPA suggests that "Member States can either contribute to the success of PEPP or jeopardize it through differentiated or discriminatory tax treatment". We strongly disagree with this line of reasoning, as it oversimplifies a complex issue. The integration of PEPP into national tax systems cannot be viewed in black-and-white terms. Instead, a detailed assessment is necessary to determine how PEPP can align with the tax incentive structures of each Member State. Additionally, given that EIOPA envisions PEPP as a potential second-pillar pension product, it must also comply with national social and labour laws. It is crucial to acknowledge that, in some countries, the tax treatment of occupational pensions and personal pensions differs significantly. Any attempt to harmonize PEPP across Member States must take these legal and structural variations into account to avoid conflicts with national pension policies and ensure that PEPP complements, rather than disrupts, existing systems.

<u>AEIP observation</u>
The integration of PEPP into national tax systems cannot be viewed in black-and-white terms. Instead, a detailed assessment is necessary to determine **how PEPP can align with the tax incentive structures of each Member State**.

Implement national or EU-wide pension tracking services

As stated above, we support the implementation of national pension tracking services, as they can provide better information on financial well-being for retirement. Additionally, we note that the European Tracking Service on Pensions project is currently ongoing, aiming to connect data from national pension tracking services. So far, the Belgian and French pension tracking services have been connected.

Pension tracking services should not be confused with the EU-wide pension dashboard or national pension dashboards, which are designed to provide an overview of the legal pension landscape and other relevant information. The idea of national pension dashboards is a positive suggestion, but this should be left at national level to decide how it can be best designed and implemented.

<u>AEIP observation</u>
We acknowledge that pension tracking services, and an EU-wide pension dashboard can help address pension gaps. We believe the European Commission should **encourage Member States to establish national pension tracking systems** or similar tools covering all three pillars.

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