



Association Européenne des Institutions Paritaires

European Association of Paritarian Institutions

Single Market Strategy for 2025

AEIP input to European Commission's

Call for Evidence on the Single

Market Strategy 2025

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European Association of Paritarian Institutions (AEIP)

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AEIP welcomes the initiative on the Single Market Strategy for 2025

The European Association of Paritarian Institutions (AEIP) welcomes the Single Market Strategy's aim to create a new momentum for a modernised single market for goods and services, taking into consideration the needs of businesses, workers and citizens. AEIP further supports the (i) removal of barriers to the free movement of goods and services, (ii) the need to tackle administrative burden and rationalise reporting requirements and (iii) calls for the European Commission to further consider the unique structure and characteristics of paritarian institutions in view of the horizontal governance of the single market.

The views of paritarian institutions can foster the ambition of the European Commission, precisely the Commissioner for Financial Services and the Savings and Investment Union, to:

- 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.*
- 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 Defined Contribution (DC) 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.*
- Work on the potential of private and occupational pensions to help EU citizens with their retirement and channel their savings into the economy.
 - *Paritarian pension funds have demonstrated their effectiveness as vehicles for promoting DC pension plans.*
 - *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.*

Recognise the unique role of paritarian institutions

In the Single Market Strategy for 2025, we call for the European Commission to accelerate the establishment of the internal market through the parallel enhancement of paritarian institutions of social protection.

Wrongfully, European policymakers frequently perceive paritarian institutions merely as financial service providers catering to customers. It is crucial to recognize the inherent distinctions between paritarian institutions, such as occupational pension and healthcare funds, and pure financial market entities. Belonging to the welfare state and offering social protection, paritarian institutions exhibit distinct qualities compared to other participants in the financial market.

Paritarian institutions, in most cases, operate as ‘not-for-profit’ entities, fulfilling a crucial social role in ensuring adequate social protection. Paritarian institutions 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. This fundamental distinction between paritarian institutions and pure financial market entities must be recognized and reflected in regulatory frameworks. Their unique governance structure, frequently managed by social partners, fosters a collaborative decision-making process. This not only enhances transparency but also ensures inclusiveness and democratic legitimacy.

The emphasis on joint management contributes to an environment that prioritizes the well-being of beneficiaries over profit motives. In addition, the legal and regulatory structures of pension funds in Europe vary significantly, reflecting their distinct roles within the social protection systems of individual Member States. As a result, the pension schemes and plans they provide display a wide range of characteristics and inherent risks.

Forster a robust internal market

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 new Single Market Strategy should remain ambitious on developing and integrating the EU capital markets. 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.

AEIP encourages the European Commission to introduce initiatives in the Single Market Strategy for 2025 to further support cross-border investments by removing obstacles in the internal market.

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 Institutions for Occupational Retirement Provisions (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.

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.

Reporting requirements need to be kept to a minimum

AEIP suggests that current and any new reporting requirements for second pillar pension funds need to be kept to a minimum. Overall, the heterogenous nature of IORPs requires proportionality to be read in the context of the minimum harmonisation principle that governs the [IORP II Directive](#). For instance, the principle-based approach in the IORP II Directive enables Member States to consider the national frameworks and the different structures of IORPs. Notably, the adoption of a one-size-fits-all approach does not work for the IORP sector, as it generates unnecessary costs especially for small and medium sized IORPs. Under the pretext of pursuing supervisory convergence, there has been a significant surge in reporting requirements. In the view of most of our members (especially small and medium sized occupational pension and healthcare funds) this has led to a complete erosion of the delicate balance between supervisory convergence and minimum harmonization. A pertinent example of this imbalance is evident in the recent technical advice provided by EIOPA on the IORP II review.

The European Commission should uphold the IORP II Directive's minimum harmonisation in the upcoming review. The triangular relationship between the employee, the employer (sponsor) and the IORP should be a priority guiding the review of the IORP II Directive. Also, the review should embrace a principle-based approach, emphasising proportionality to accommodate the diversity among IORPs across the EU.

AEIP's full position on EIOPA's technical advice on the IORP II review is available [here](#).

We wish to point out that it is imperative to ensure that the principle of proportionality is adequately and coherently considered not only in the next review of the IORP Directive but also in other applicable legislation, such as [Sustainable Finance Disclosure Regulation](#) and [DORA](#). Presently there is no common and adequate definition for the application of proportionality across the EU legislation (in horizontal legislation) that affects IORPs. This entails that reporting requirements vary across horizontal legislation.

A simpler and more unified approach regarding reporting requirements should be based on the principle of minimum harmonisation and proportionality as described in the IORP II Directive (yet a challenge remains to ensure the right application of the principle of proportionality in practice for IORPs). Consequently, it is recommended that reporting and disclosure requirements for IORPs be primarily outlined in the IORP II Directive. As a minimum harmonization directive, the IORP II Directive allows ample flexibility for Member States to adopt reasonable provisions within their national contexts. This approach ensures a balance between regulatory consistency and the ability of Member States to tailor requirements

to their specific circumstances. Legislation should also acknowledge that IORPs should not be treated as purely financial service providers as highlighted in recital 32 of the IORP II directive.

Additionally, EIOPA's technical advice on the review of the IORP II Directive proposes that IORPs should publish their engagement policy in the Statement on Investment Principles. However, it is noted that this could be redundant since IORPs already publish their engagement policy in adherence to transparency requirements outlined in the Shareholders Rights Directive. We plea to the European Commission to prevent double reporting and abstain from introducing this additional reporting requirement during the IORP II review. The aim is to streamline reporting obligations and avoid unnecessary duplication of efforts for IORPs.

Any new reporting requirements should benefit the pension and healthcare funds and their members and beneficiaries

Excessive reporting requirements can impose a significant cost and administrative burden on pension and healthcare funds. Some of our small and medium sized members mentioned that the resources required for compliance can divert funds away from their primary mission; which is to provide secure occupational social protection benefits to their members. AEIP highlights that a cost impact analysis needs to be applied before the introduction of any new reporting requirements. A cost impact analysis can analyse the cost impact of different reporting requirements for pension and healthcare funds and assess the extent to which this will have an impact on the pension and healthcare fund and its members and beneficiaries. The cost impact assessment should not only look at the impact of each individual requirement but on to the aggregate cost of all reporting requirements.

Additionally, the ever-changing European regulations on sustainable finance and Corporate Sustainability Reporting constitute to excessive complexity for some of the stakeholders (especially for small and medium sized stakeholders). Navigating through the various reports becomes challenging, exposing institutions to the risks of non-compliance, despite deploying disproportionate resources relative to their size for implementation.

We welcome the development of an integrated sustainability reporting system, and we appreciate the European Commission's commitment to prioritising sustainability and maintaining its commitment to the objectives of the Green Deal. We stress that the review of the sustainability reporting system should align with the European Commission's President von der Leyen's goal to reduce reporting requirements by 25%. We are looking forward to the suggested actions that would be brought forward by the omnibus proposal.

Currently the EU is developing an integrated sustainability reporting system through the [Sustainable Finance Disclosure Regulation \(SFDR\)](#) and [Corporate Sustainability Reporting Directive \(CSRD\)](#), linked together through the [European Single Access Point \(ESAP\)](#) (expected to be available from 2027). Under the SFDR IORPs are required to report on a number of different Environmental, Social, and Governance (ESG) issues, such as their policies on ESG risks, the environmental and social characteristics of the pension

scheme, Taxonomy exposure and Principal Adverse Impact (PAIs) indicators. To rationalise and reduce reporting requirements, we suggest that there is no further need for ESG data to be integrated in EIOPA's reporting regime according to [Article 35 of Regulation \(EU\) No 1094/2010](#) about EIOPA's regular information requests towards NCAs regarding IORPs. Information about ESG issues reported under SFDR and published through ESAP should suffice, thus we recommend avoiding the development of a parallel reporting regime through statistical reporting.

Additionally, pension funds are obligated to disclose their remuneration policy in accordance with SFDR, IORP II, and ESAP. It is essential for national authorities and the ESAs to collaborate in harmonizing these reporting requirements. The aim is to streamline the reporting process for pension funds, enabling them to submit a single, unified report in a standardized format. This consolidation effort extends to the annual statement, which is currently reported under both IORP II and ESAP, with the goal of minimizing duplication and simplifying reporting procedures for pension funds.

The SFDR's cross-sectoral approach poses challenges for pension funds. Both Level 1 and Level 2 were developed with mainly retail investment funds in mind. Pension funds are different, because choice is limited, and many types of assets are in a single product. Employees typically face limited choice when it comes to their pension arrangements. Signing the employment contract often translates to enrolment in a pension fund, where a single investment policy, lacking multiple options, is commonly the norm. Consequently, the SFDR information may not be as actionable for pension fund participants, as there is no precontractual phase where they can actively verify sustainability promises, given the predetermined nature of their pension fund participation. There are also challenges in preparing PAI disclosure. It is hard to add up PAI disclosures provided for investment mandates by external managers. KPIs are often unclear, unreliable and do not provide pension funds with actionable information for their responsible investment decisions.

The disclosure requirements of the SFDR, the CSRD, and the CSDDD will likely introduce additional reporting obligations at the company (entity) level for many affected entities.. The goal should be to establish a unified and cohesive framework for sustainability reporting, minimizing fragmentation and ensuring consistency across reporting obligations. This approach would not only enhance efficiency but also facilitate a more comprehensive understanding of sustainability practices across various entities.

ESRS is set to furnish pension funds with crucial data, enabling them to make responsible investment decisions and meet their SFDR reporting obligations. In response to the ESRS, the European Commission has expressed the necessity of adjusting the SFDR to align with the choices made within the ESRS. It is imperative that these adjustments are promptly incorporated into the SFDR to ensure harmony between these legislative components. As a result, pension funds should be afforded the capability to rely on CSRD reporting for their SFDR PAI reporting, facilitating a more integrated and streamlined reporting process.

The Single Market Strategy for 2025 needs to ensure the full respect for the right to social protection for all

We fully embrace the idea of integrating single market to increase the European competitiveness, but we point out that this shall not come to the expense of social protection for all.

We strongly believe that reference needs to be made in the Single Market Strategy to the European Pillar of Social Rights (EPSR) being the compass for the European social agenda and the transition towards a green and digital economy.

To further this objective, we recommend that the European Commission promote initiatives supporting the free movement of people, such as the ongoing European Tracking Service on Pensions projects financed by the European Commission. This project is a fundamental contribution to a social and digital Europe, ensuring that mobile workers are not disadvantaged in accessing pension information compared to non-mobile workers. The possibility of a cross-border career is a cornerstone of the European Union. In the future, people who decide to work in different EU countries will be better supported in finding their pension entitlements and pension institutions via the FindyourPension.eu website.

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AEIP Disclaimer

AEIP represents the European Paritarian Institutions of Social Protection in Brussels since 1997. AEIP is a Brussels-based advocacy organisation representing social protection providers – second pillar occupational pension, healthcare, and provident funds, managed on joint (paritarian) basis by employer and trade union organizations. AEIP gathers 29 leading large and medium-sized national social protection providers from 13 EU Member States managing over €2.8 trillion in assets for more than 118 million citizens.

AEIP represents its members' values and interests at the level of both European and international institutions. In particular, AEIP - through its working groups - deals with EU coordinated pension schemes and pension funds, healthcare, unemployment, provident and paid-holiday schemes. Owing to the quality of its members and to the delegation of powers conferred to its Board, AEIP aims at becoming the leading body for the promotion of balanced paritarian social protection systems in Europe. AEIP promotes and develops programs and orientations aiming at the sustainability of paritarian social protection systems at local level taking into account the national specificities aiming at ensuring social cohesion in Europe. Based thereon, AEIP prepares recommendations, proposes local programs and influences European decisions to safeguard and promote the interests of its members. AEIP thinks ahead and anticipate modern paritarian social protection systems that take into account changing economic

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