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Bridging gaps: how to turn European demographic risk into financial resilience

Europe stands at a demographic crossroads. With the population ageing rapidly, statutory pension systems are under strain, demanding stronger supplementary retirement solutions. Eurostat data projects that by 2070, over 30% of the EU population will be 65 or older, while the working-age population (15–64) is shrinking.

Yet, despite these pressures, long-term retirement planning remains underdeveloped. EIOPA data shows only 19% of EU consumers hold a personal pension product and only 21% have occupational schemes¹.

Barriers extend beyond demographics: behavioural and structural issues in supplementary pensions further hinder progress. Scale should help pension funds (IORPs) reduce their operational costs, enhance their negotiating power and access to market opportunities, ultimately delivering better results for members. The Pan-European Personal Pension Product (PEPP) would gain greater traction and scale if certain barriers were removed, such as its rigid

1% fee cap and complex advisory rules, which have so far stifled supply. Trust is another hurdle: 42% of consumers do not trust pension funds to ensure good outcomes, with 40% feeling the same about insurers².

The European Commission's 2025 legislative package, reflecting EIOPA's technical input, tackles these issues by focusing on scale, value, and trust:

- **IORP II: Scale and Diversification.** The proposal fosters economies of scale and asset diversification. The current fragmentation of IORPs limits funds' ability to invest in illiquid, long-term assets. The proposal aims to emphasize the "Prudent Person Rule", aiming so as to facilitate access to alternative investments and encourage cross-border consolidation – for better net outcomes, not just minimizing costs.
- **IORP II: Governance and supervision.** To foster trust, the proposal establishes more rigorous governance and supervision as essential pre-requisites for granting IORPs greater investment autonomy to deliver better outcomes to members and beneficiaries.
- **Revamped PEPP.** To boost demand and stimulate supply, the rigid 1% cap is replaced by a supervisory Value for Money framework, assessing cost-and-performance at registration. It also removes mandatory advice for the Basic PEPP to simplify access and lower costs, and drops features seen as over-engineered (e.g.: the two sub-account setup). To help the market reach scale, employer contributions are allowed. However, key gaps remain: the proposal leans on a default lifecycle strategy rather than incentivising value-for-money guarantees, and the supervisory/registration set-up still looks complex and fragmented for a genuinely pan-European product. That matters, because strong supervision and demonstrable value are the key to rebuild trust.

This legislative package is well-complemented by two parallel key initiatives. The Retail Investment Strategy (RIS) provides for clear "Value for Money" standards for Insurance-Based Investment Products (IBIPs), ensuring consumers face a consistent, high-quality landscape of products whether they choose a pension like the PEPP or an IBIPs. In parallel, EIOPA's work on Pension Tracking Systems (PTS) has been taken up in a European Commission Recommendation. This empowers consumers providing the essential "digital interface" to visualize savings and turning abstract financial concepts into concrete visuals consumers

can use to measure where they stand on their financial goals and objectives. To truly boost consumer trust, these two initiatives are grounded in the following behavioural design principles:

- **Designing for Trust and Simplicity.** Complexity deters engagement. EIOPA's technical advice on PTS emphasizes a "layered" approach to information. A PTS should not overwhelm the user; instead, the "landing page" must display only critical high-level data—specifically the projected retirement income and the retirement date. This simplicity reduces cognitive load. Furthermore, to bridge the "Trust Gap," EIOPA advises that PTS governance must be non-commercial. Systems run by public-private partnerships or independent bodies ensure that the platform is viewed as a neutral tool for planning, not a sales channel for providers.

Structural reforms and behavioural insights to drive trust in the EU long-term savings market.

- **Value for Money as a Trust Builder.** The shift to a Value for Money framework addresses consumer scepticism toward providers. The new framework, if well applied, aims to prove to consumers that their savings are working efficiently. When citizens trust that long-term returns justify fees, trust is rebuilt and long-term investment is encouraged.

In sum, the current initiatives mark a mature evolution of EU pension policy. By moving away from restrictive guarantees and focusing on scale, digital simplicity, and behavioural defaults, the EU aims to strengthen trust and demographic resilience.

1. EIOPA- Eurobarometer 2025: consumer trends in insurance and pension services.
2. EIOPA- Eurobarometer 2025: consumer trends in insurance and pension services.