DEVELOPING SUPPLEMENTARY PENSIONS

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From patchwork to progress: the future of EU pension systems

Europe is entering a critical phase in preventing old-age poverty. The share of people aged 65 and over is expected to rise from 21.6% in 2024 to nearly 29% by 2050. This will place further pressure on pay-as-you-go systems and increase the importance of supplementary pensions in preserving retirement adequacy. EIOPA's Eurobarometer shows that confidence in retirement adequacy is uneven across age groups – with the group 40 to 54 being the least confident – underlining the need for both short- to medium-term measures to close the gap for those who will retire in the 2050 onwards and longer-term structural reforms to ensure pensions adequacy for younger generations.

In practice, this means addressing Europe's patchwork of pension systems, which still creates barriers to scale, efficiency, and adequacy. The most effective path is likely to combine common European solutions with national measures closely aligned with labour, social and tax law. This can help achieve the scale needed for stronger returns while preserving national flexibility.

Member States need to modernize fragmented pension systems while expanding access for groups that remain underserved. Those Member States developing new systems have a unique opportunity to establish more integrated and coherent frameworks from the outset.

This in practice needs a set of national reforms – with EU coordination – such as:

- **Majority-rule participation models like auto-enrolment with opt-out options** – a smart way to boost participation while preserving individual choice, ensuring more people benefit from pension savings;
- **Gradual transition to funded systems** – a balanced approach that partially shifts social security contributions from pay-as-you-go models to funded pensions, preventing unfair financial burdens on current generations;
- **Portable and flexible arrangements for part-time workers**, the self-employed and those with interrupted careers, so that supplementary pensions reflect today's labour market rather than yesterday's.

At the same time, EU-level initiatives are needed to ensure savers have credible options to supplement Pillar I pensions and to help Member States free public resources for those unable to save. The EU role is especially important where scale, portability and consumer trust cannot be achieved efficiently at national level alone. EIOPA's Eurobarometer survey shows that limited confidence in retirement reflects broader concerns about the sustainability of public pensions, the erosion of savings through inflation and uncertainty about future needs. Importantly, distrust in private savings and pensions has also risen, showing that expanding supplementary systems will require not only wider access but also better returns and lower costs.

Adaptable pension frameworks should allow employer contributions into personal pensions, continued saving after employment, and flexible participation for part-time workers, career breakers and the self-employed. The Pan-European Personal Pension Product (PEPP), or a stronger "EuroPension" model as proposed by EIOPA, could help fill gaps where occupational coverage remains limited and could use its European scale to improve outcomes.

The shift to defined contribution (DC) pensions also requires careful design of both accumulation and decumulation defaults. Investment defaults should align with time horizons and risk tolerances, while decumulation pathways must provide clear income projections and withdrawal options to ensure financial security in retirement.

Transparency tools – such as pension dashboards, tracking systems, and cost and performance benchmarking – are critical for measuring reform impact, closing pension gaps, and empowering citizens. With digitalisation making complex information more accessible, transparency tools will enhance public awareness on pension matters while enabling regulators and supervisors spot problems more promptly.

Successful implementations will create unified frameworks such as improved design of DC schemes or the PEPP which can immediately address the issues of ensuring good returns for consumers who will retire 'tomorrow'. These approaches can ensure that scale is reached with costs being controlled and good returns being achieved. These European solutions should be coupled with solutions allowing for national flexibility particularly to address the gap in the longer term.

As the debate moves from EU proposals to national implementation, these choices will determine which Member States succeed in expanding coverage and improving adequacy. EIOPA's forthcoming DC toolkit should help policymakers navigate design choices and trade-offs, while a well-implemented PEPP could help successful national third pillar products scale across borders under a credible EU registration framework.

Ultimately, true success will be measured not by institutional mandates or jurisdictional boundaries, but by our collective ability to bring everyone along – especially supporting those who need it most now and, in the future.