Technical input for the reviews of the IORP II Directive and the PEPP Regulation in the context of the Savings and Investments Union

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INTRODUCTION

The European Insurance and Occupational Pensions Authority (EIOPA) is pleased to submit its response to the Commission's technical questionnaire on the review of the IORP II Directive and the PEPP regulation.

In preparing this response, EIOPA has taken a pragmatic and focused approach, addressing the main issues and topics relevant to the IORP II and PEPP reviews.

Whilst EIOPA's 2023 Advice on the IORP II review and 2024 staff paper on PEPP are the starting point and foundation for our response, the technical questionnaire raises new issues in the context of the Commission's Saving and Investment Union (SIU) initiative which were not covered in the 2023 Advice or fully explored in the 2024 staff paper.

The findings of the European Court of Auditors (ECA) special report on supplementary pensions, are also reflected as they provide valuable insights into the challenges and opportunities facing the supplementary pension sector.

Since submitting the Advice in 2023, EIOPA has identified that the implementation of the IORP II Directive's more stringent prudential provisions is still under way in some Member States. Whilst our response to the technical input does not aim to introduce significant changes that would risk creating a standstill to the development of occupational pensions, there are a number of proposals seeking to address IORP II implementation challenges faced by the relevant National Competent Authorities (NCAs) to ensure adequate and consistent protection of members and beneficiaries across the EU.

Since the PEPP Regulation has come into force, the PEPP has not achieved its potential; in fact, the number of providers offering PEPP is still very small and take-up is very low. In the same vein as for IORP II, proposals on PEPP consider changes to the framework to address existing issues before exploring how to achieve scale through additional changes aimed at closing pension gaps, improving returns and access to investment opportunities in the EU as well as reducing costs. Some of the proposed changes reflect clear challenges faced by operators and supervisors, while others relate to potential risks. Finally, some of the proposed changes – i.e., the adoption of one single simple label – reflect ongoing discussions on how to facilitate investments into the EU capital market.

Another important aspect of our response is to consider what could be done to make supplementary pensions more scalable, in view of improving pension adequacy and retirement

outcomes for EU citizens as prime objective. As a consequence, scaled up supplementary pensions could also contribute to the objectives of the SIU. In doing so, EIOPA's response aims to address both the objectives of enabling scale and access to investment opportunities in alternative assets as well as securing adequate retirement income security for beneficiaries.

A review of existing prudential requirements to create opportunities for scale should therefore be complemented with a review of supervisory needs to maintain or enhance the quality of supervision: a scaled up supplementary pension system requires a robust and effective supervisory framework with appropriate resources to ensure that members and beneficiaries are well protected – a pre-condition to fostering public trust and confidence in supplementary pension saving. Some proposals seek to be forward-looking in view of identifying what is needed to future-proof the supervisory framework which would differ from today's if the EU landscape is set to change and see the development of large-scale pension funds.

In forming our response, EIOPA also considered to what extent the review of the IORP II Directive and PEPP Regulation could contribute to addressing Member States' pension gaps as a result of the ageing of the European population – by fostering the development of supplementary pensions and enhancement of existing provisions. One important pre-requisite to developing adequate and sustainable supplementary pension systems is to have the right market conditions that leverage on the unique strengths and competencies of each type of market participant – allowing each market participant to focus on what they do best[1], in order to optimise the benefits to pension savers.

EIOPA's response also considers the degree of importance and role of occupational (also known as second pillar) and personal pensions (also known as third pillar) in their ability to deliver future income adequacy in a world characterised by flexible labour markets and DC pensions where the risks and opportunities for return are increasing for the individual EU savers.

Occupational pensions tend to offer better value and returns compared to personal pensions. Occupational pensions can often benefit from economies of scale notably through stable and consistent contribution streams from both employer and employees, and from stronger scrutiny due to sponsor and member involvement in the pension fund decision-making, including of the performance of pension providers. This often contributes to lower administrative costs relative to personal pensions (sponsors may also fully or partly cover these costs) and higher net returns for members.

Designed to provide a top-up to the second pillar, personal pensions as third pillar play a complementary role in providing income adequacy, allowing individuals to take on more risk[2] to

[1] E.g. insurance undertakings' longevity risk expertise and provision of guaranteed income streams for the decumulation phase, asset managers and investments opportunities.

[2] Except where personal pensions are the only alternative source of retirement income if access to an occupational pension is not possible.

supplement their retirement income on a voluntary basis. Personal pensions allow individuals to save additional amounts for retirement and potentially achieve a higher level of income adequacy. They offer individuals flexibility and portability, as they are not tied to a specific employer. The third pillar is also seen as a way to encourage individuals to take personal responsibility for their retirement savings, and to provide a safety net for those who may not have access to an occupational pension scheme. In that respect, personal pensions can be perceived as a benefit primarily accessible to higher-income earners, which can inadvertently discourage policymakers from prioritising their development and offering tax incentives. However, in reality, personal pensions can serve as a vital and, in some cases, sole retirement savings option for certain segments of the working-age population (i.e., unpensioned) who may not have access to occupational pension schemes, thereby highlighting the importance of promoting inclusive and adequate retirement saving solutions.

In light of the above, we used the following criteria to guide our analysis and inform our response:

1) how our response would help address pension gaps and improve retirement outcomes;
2) how our response would contribute to the SIU objectives in respect of developing supplementary pensions[3]; and
3) how our response would enhance the supplementary pension framework and supervision.

EIOPA's response takes into account the following key considerations:

- Minimum harmonisation of the IORP II Directive and respect for national Social and Labour Law (SLL) are a given;
- Diversification of risks across all three pension pillars is a key element to pension adequacy. Therefore, second and third pillar pensions are respectively defined as assets-backed occupational and personal pensions managed by private financial institutions;
- Focus on Defined Contribution (DC) pensions, notwithstanding that the management and supervision of Defined Benefit (DB) legacy schemes will continue for decades to go and hence remain important for existing and future beneficiaries;
- No significant changes – as IORPs in some Member States are still absorbing the major change the IORP II Directive introduced. This is in line with EIOPA's approach to supporting the objective of simplifying regulation and reducing administrative burdens for enhanced European competitiveness[4];
- Focus on stimulating pension savings. However, the need to address market fragmentation on the asset management side is equally important as the latter limits pension funds' opportunities to invest in alternative asset classes; and

[3] Supplementary pensions: review of the regulatory framework and other measures to strengthen the sector.
[4] EIOPA (2025) Note on EIOPA's views for better regulation and supervision

- Answers are provided on the basis of the data and information available and limited timeframe given to perform analysis and prepare a response.

The European Commission requested EIOPA to provide a technical input to support the development of supplementary pensions in the context of its SIU strategy, and in particular through the reviews of the IORP II Directive and PEPP Regulation. Therefore, EIOPA’s response focuses on how to overcome issues from a technical perspective. In some instances, technical proposals go beyond the existing EU regulatory framework and do not factor in political considerations.

1. IORP II REVIEW

1.1. Facilitating IORPs' access to alternative assets (Q1-Q5)

IORPs' investments in alternative assets remain limited at EU level. Further facilitating IORPs' access to alternative assets can potentially help improve investment returns, reduce risk, and increase IORPs' ability to provide adequate pensions to members and beneficiaries. Fostering IORPs' investment opportunities in alternative assets starts with implementing a risk-based approach to IORP II's Prudent Person Rule.

1.1.1. Current issues

Alternative assets can improve the risk-return characteristics of the investment portfolio, but require substantial professional expertise to navigate especially as they are relatively opaque. Alternative assets can be defined as assets which display a high degree of either valuation uncertainty, illiquidity or complexity, or combination of these. Taking into account these features, the alternative asset category can be considered to include private equity and debt, unlisted real estate, infrastructure, hedge funds, commodities and structured assets[5].

The inclusion of alternative asset classes may improve the risk-return characteristics of the investment portfolio by increasing diversification and enhance (long-term) returns by earning an illiquidity premium and/or by generating risk-adjusted excess returns.

Alternative assets are relatively opaque, with valuation risk, hidden leverage, and liquidity risks. Unlisted assets will be subject to valuation risk, as market values are not available. Moreover, alternative assets may contain hidden leverage. Unlike the issuers of securities admitted to regulated markets, the issuers of unlisted assets are not subject to the EU disclosure requirements of the Prospectus Regulation and the Transparency Directive. Since unlisted assets are not traded in public markets, they are also subject to liquidity risks. Funds committed to funds of alternative assets can be locked in for as much as a decade.

The above implies that investments in alternative asset categories require substantial professional expertise in assessing the (value of) assets and, where investments are made through funds, assessing the quality of the managers and their strategies, especially since funds with alternative assets, like private equity and debt, tend to be subject to considerable management fees.

[5] See IAIS, Draft issues paper on structural shifts in the life assurance sector, March 2025.

1.1.2. Alternative investments by IORPs

IORPs have significant allocations to alternative asset classes, with larger IORPs tending to invest more in alternative assets. IORPs' allocations to alternative asset classes include direct and indirect investments in unlisted equity (3.3% of assets), loans and mortgages (2.9%), real estate (3.1%), collateralised securities & structured notes (1.3%) and alternative investment funds, like hedge funds (1.2%) (see the statistical annex).

The analysis in the annex shows that larger IORPs tend to invest a larger proportion of their investment portfolio in alternative asset classes than smaller IORPs. Due to their size, larger IORPs may have better access to this type of assets. Alternative asset managers may not be interested in small direct investments, while fund-of-fund arrangements may be prohibitively expensive due to the double layer of fees. For larger IORPs, it may also be more cost-efficient to hire internal or external expertise to guide investments in alternative asset classes.

The average allocations to alternative assets classes by IORPs may seem low in absolute terms. However, in relative terms alternative assets are small in size relative to global equity and bond markets (approximately 6%)[6]. In addition, almost two-thirds of alternative assets (61.3%) are located in North America compared to under one quarter in Europe (22.5%)[7]. As such, well-functioning private equity and debt markets in the EU do not only require institutional investors being able to invest, but also companies seeking funding through private markets.

1.1.3. Prudent person rule in IORP II and investment restrictions

The IORP II Directive does not preclude investments in alternative assets, but requires IORPs to invest in accordance with the prudent person rule. In addition, Member States may impose quantitative investment limits provided these are prudentially justified (and many do so – see Annex on quantitative investment limits in supplement to the IORP II's Prudent Person Rule). IORPs must invest in accordance with the 'prudent person' rule in the best long-term interest of members and beneficiaries as a whole. In accordance with Article 19(6), Member States may lay down more detailed rules, including quantitative rules, provided that they are prudentially justified. However, Member States should not prevent IORPs from investing in instruments that have a long-term investment horizon and are not traded on regulated markets, multilateral trading facilities (MTFs) or organised trading facilities (OTFs)[8]. Still, Article 19(7) seems to negate the provision that IORPs should not be prevented from investing in instruments with a long-term economic profile. According

[6] According to LSEG, The size of global markets 2024 in charts, alternative assets (private equity, private debt, other real assets) amounted to USD 13.6 trillion in 2023, while equity and (government/corporate) bonds had a global capitalisation of USD 223.5 trillion.
[7] See S&P Global, Private Markets – A Growing, Alternative Asset Class.
[8] Recital 48 of the IORP II Directive explains that IORPs should be provided with an appropriate level of investment freedom. As very long-term investors with low liquidity risks, IORPs are in a position to invest in non-liquid assets such as shares and in other instruments that have a long-term economic profile and are not traded on regulated markets, MTFs or OTFs. Recital 49 provides further clarification and examples of what should be understood constituting instruments with a long-term economic profile.

to this article, Article 19(6) shall not preclude the right for Member States to require the application to IORPs registered or authorised in their territory of more stringent investment rules also on an individual basis provided that they are prudentially justified, in particular in light of the liabilities entered into by the IORP.

1.1.4. Possible way forward

To foster IORPs' investment opportunities in alternative assets, the IORP II Directive could be amended by including a risk-based approach into the Prudent Person Rule.

Although there may be prudential justifications for limiting investments in certain asset classes, across-the-board restrictions are quite crude by limiting opportunities for IORPs that have a full understanding and risk-bearing capacity to invest in alternative asset classes. Moreover, they may encourage rules-based rather than risk-based supervision and create the wrong impression that investments within the limits will always be safe.

The Solvency II Directive takes a more risk-based approach, not permitting Member States to impose quantitative restrictions on the investments of the undertaking, as part of the prudent person principle (Article 132) and freedom of investment (Article 133). Still, Solvency II includes additional safeguards in Article 132(2) to ensure that undertakings have a full understanding of the assets they invest in. Moreover, Article 133(3) recognises that Member States may impose restrictions on asset categories at the product level where investment risk is borne by the policy holder, but these restrictions should not be more restrictive than those set out in the UCITS Directive. This allows Member States to ban certain investments that are not deemed appropriate to be sold to consumers.

Option 1: Under this option, the risk-based approach would be implemented in the IORP II Directive by specifying in Article 19 that *investments shall only be made in assets whose risks the IORP concerned can properly identify, measure, monitor, manage, control and report, and can appropriately take into account in the assessment of its overall funding needs and the assessment of the risks to members and beneficiaries relating to the paying out of their retirement benefits in accordance with Article 28*, and that *assets held to cover the technical provisions shall also be invested in a manner appropriate to the nature and duration of the liabilities entered into by the IORP*.

Article 19(6) to (8) of the IORP II Directive would be replaced by the recognition that *paragraphs (4) and (5) of Article 19 are without prejudice to Member States' requirements on occupational pension agreements or contracts specifying more detailed rules, including restricting the types of assets to which retirement benefits may be linked. Any such rules shall be applied only where the investment risk is borne by the members and beneficiaries and the restrictions on the type of assets shall not be more restrictive than those set out in Directive 2009/65/EC*.

The suggested risk-based approach to the prudent person rule would abolish any investment restrictions on IORPs. Still, as part of the supervisory review process, NCAs would still have the ability to impose investment restrictions on individual IORPs where needed to protect the members and beneficiaries. Moreover, Member States would be able to impose general risk-mitigation measures on occupational DC schemes, in particular lifecycling, but also to restrict certain asset categories that are not permitted under the UCITS Directive[9] in order to prevent that DC members and beneficiaries would be exposed to inappropriate investments.

The risks of investing in alternative assets can be mitigated by the requirement that IORPs have a proper understanding of the risks, but also by introducing an explicit duty of care principle in the IORP II Directive as well as provisions requiring IORPs to ensure an appropriate structuring and implementation of pension schemes[10], including through long-term risks assessments for DC schemes.[11] The latter aims to ensure 'adequate returns', i.e. that the risk-return characteristics of the default investment option and any other options in terms of future retirement income are aligned with the risk tolerance of the DC membership.

The abolition of investment restrictions will put greater emphasis on strong, risk-based supervision to ensure that IORPs have the proper understanding and risk-bearing capacity to invest in certain asset categories (see Section 1.4 on supervision).

Option 1 would abolish the possibility for Member States to impose any across-the-board investment restrictions on IORPs, but Member States would be permitted to apply investment restrictions to DC schemes. An approach more targeted at alternative assets is considered in the following Option 2.

Option 2: *Clarify in Article 19(6)(c) the permission of IORPs to invest specifically in alternative asset classes and delete point 19(7)*.

Although this option does not preclude Member States to restrict investments in order to maintain a general limit of risk for the IORP sector, it specifically does not allow the possibility to prevent IORPs from investment in alternative assets. Even though Option 2 is more restrictive than the other option, it rests on the fact that in some Member States IORPs are already important institutional investors in the alternative assets and existing legislative investment limits in these cases did not have a negative impact so far as regards IORPs' investment behaviour. Moreover, the exclusion of Article 19(7) from the IORP II Directive would not lead to restrictions to the powers of intervention of national competent authorities as in particular laid down in Article 48.

[9] The sole objective of UCITS is "collective investment in transferable securities or in other liquid financial assets". See Article 1(2)(a) of Directive 2009/65/EC.

[10] Ensuring the scheme matches members' and beneficiaries' needs, characteristics and risk profiles.

[11] See sections 4.6.1, 4.6.2 and 5.5.1 of EIOPA, Technical advice for the review of the IORP II Directive, EIOPA-BoS-23/341, 28 September 2023.

There was no sufficient time to carry out an impact assessment of the two options. The European Commission should therefore consider assessing each option in terms of their practical implementation and effectiveness.

1.2. Fostering growth of the IORP sector through scale (Q6-Q8)

Helping the IORP sector to grow in size can contribute to closing the pension gap. Several factors can contribute to scaling up occupational pensions including high pension participation, persistency in contributions, and pooled investments, which can reduce costs, improve investment leverage, and increase total pension fund assets. The implementation of centralised administration, automated systems, and standardised processes can also play a crucial role in achieving scale at the IORP level, as these can help IORPs streamline operations, reduce administrative costs, and minimise errors, and ultimately help enhance the overall efficiency and effectiveness of pension fund management.

Regulatory changes, such as the introduction of the IORP II Directive, can as a side-effect also lead to market consolidation and contribute to scale by 'forcing' some IORPs that can no longer meet the new requirements to wind up and consolidate within other IORPs. It is important to note that scale is not a guarantee of efficiency - achieving scale requires having in place the right market and regulatory conditions.

1.2.1. Current issues

Larger IORPs tend to have lower costs as a percentage of assets (see the statistical annex). They benefit from economies of scale by being able to distribute fixed costs relating to pension administration and investments over a larger membership and over a higher amount of assets.

Lower costs imply that a larger share of contributions can be invested in assets, rather than paying administrative and investment costs, and a higher net returns on those assets. In the end, the same level of contributions will yield higher retirement benefits or the same level of retirement benefits can be generated with lower contributions.

1.2.2. Scale through (semi-)mandatory participation in occupational pensions

Improving occupational pension participation through (semi-)mandatory requirements such as auto-enrolment systems could constitute the most significant factor to foster the scaling up of the IORP sector (see Section 3.1.). In many Member States, occupational pensions play a small role, as overall retirement provision is still very much dependent on the first pillar of state pensions. In the coming decades the contribution of state pensions is expected to decline with replacement rates in

the EU decreasing from 45% to 38% in 2070.[12] To ensure adequate pensions, the decline in state pension provision requires a larger weight of supplementary, funded pension provision. The introduction of auto-enrolment, including the persistence of contributions, in the Member States[13] would encourage occupational pension saving and, most likely, increase the size of occupational pension markets as well as IORPs. Still, it will take a while, several decades, for new occupational pensions arrangements to reach full maturity.

1.2.3. Scale through asset pooling

Larger pooled assets can improve investment leverage, reducing fees and improving fund performance (net of fees) as they can potentially negotiate better management fees, access lower-cost investment products, and achieve broader diversification—potentially further improving net returns for members.

IORPs can benefit from economies of scale by outsourcing investment management. Even though EIOPA does not have data on this, a large proportion of IORPs already outsource investments to external managers. Some large IORPs outsource to fiduciary managers. Multinational companies with IORPs in different Member States have set up cross-border asset pooling vehicles. Where the establishment of cross-border IORPs tends to be difficult and often not cost-efficient due to differences in social and labour law, cross-border asset pooling is much more straightforward to organise. The outsourcing of investments introduces the potential of conflicts of interest between the IORP and (unrelated) external asset manager. This is especially true for the delegation of alternative investments due to the complexity and opaqueness of these assets.

There are also IORPs set up by service providers (i.e. founding entity) to manage pension schemes of multiple unrelated sponsors which outsource activities including asset management to the founding entity of the IORP.

With the ongoing shift towards DC schemes, it is essential to ensure delivery of value for money to DC members. EIOPA's advice recommended to strengthen the requirements on the management and prevention of conflicts of interest arising from the relationship between IORPs and service providers to prevent detriment to members and beneficiaries.[14]

There was no sufficient time to collect relevant practices that have enabled smaller IORPs to more diversified asset classes and, more broadly, help them achieve adequate return. However, one should not underestimate the importance of implementing a principle-based regulatory and risk-

[12] European Commission, 2024 Ageing report, Institutional Paper 279, April 2024.

[13] As put forward in European Commission, Savings and investment union – A strategy to foster citizens' wealth and economic competitiveness in the EU, 19 March 2025.

[14] See section 2.5 of EIOPA, Technical advice for the review of the IORP II Directive, EIOPA-BoS-23/341, 28 September 2023.

based supervisory approach. The Belgian IORP sector is characterised by many small IORPs[15] that outsource investments to professional asset managers. Most investments are collective investment funds (this may also include ETFs) which are automatically diversified. Belgium's principle-based regulation and risk-based supervision are two important factors that have helped achieve more diversified asset classes and adequate return of small IORPs respectively[16].

1.2.4. Scale through market consolidation

Regulatory changes facilitating market consolidation can also have significant impact on future scale. The introduction of an authorisation / licensing regime (e.g., Australia, UK) are examples of regulatory changes that may lead to consolidation, contributing to scale. Whilst the 2023 Advice did not prescribe authorisation for IORPs, EIOPA specified under Article 9 that IORPs should provide a business plan to NCAs as part of authorisation or registration and that NCAs should perform a prudential assessment.

More stringent prudential requirements such as those laid down in the IORP II Directive have led to consolidation in some Member States. In the past years the IORP sector experienced a trend of consolidation with smaller IORPs continuing to merge into larger IORPs or transfer to other pension entities outside the scope of IORP II. This trend is still on-going in some Member States. NCAs' market trends analysis should therefore include monitoring of any cost reduction.

Also the number of multi-employer IORPs grew, as sponsoring undertakings seek greater efficiency and economies of scale.[17] In Italy many "*fondi pensione negoziali*", as contractual pension funds established through collective bargaining agreements between employer associations and trade unions, usually negotiated at industry level or, in some cases, with reference to specific geographical areas, have reached a considerable scale, also at the European level. This market development is also observed in other Member States, e.g., Belgium, Netherlands.

The enhanced governance and risk-management requirements introduced by the IORP II Directive have contributed to this consolidation trend[18]. Nonetheless, the IORP sector in Europe remains very heterogeneous in terms of the size of national markets but also the average size of IORPs. In most Member States the average size of IORPs was (well) below EUR 1 bn in assets at the end of 2023, whereas the average size of IORPs exceeded this threshold in DE (EUR 2.2 bn), AT (EUR 3.5 bn), NL

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[15] 53% of Belgian IORPs have less than EUR 100millions od assets under management, 17% have less than EUR 10 million.

[16] In Belgium, there are no quantitative investment limits in the regulation (except for the limit on the sponsoring employer set in Article 19 of the IORP II Directive.). The prudent person rules as laid down in the IORP II Directive apply. Risk-based supervisory practices that can contribute to ensuring adequacy for members and beneficiaries include but are not limited to automatically assessing different aspects of the PPR (security, quality, liquidity and profitability of the investment portfolio) in the risk model based on supervisory reporting, on-site assessment of IORPs' policies for outsourcing asset management, including conflicts of interests, risk management, costs and returns and VfM assessment of outliers identified on the basis of costs reporting.

[17] EIOPA, IORPs in focus report 2024, EIOPA-BoS-25/016, 11 February 2025.

[18] See section 2.2.3 of EIOPA, Technical advice for the review of the IORP II Directive, EIOPA-BoS-23/341, 28 September 2023.

(8.2 bn), FR (EUR 9.4 bn) and SE (EUR 19.5 bn). Moreover, scale up does not automatically generate a reduction of costs.

Moreover, imposing more stringent requirements may not be sufficient to trigger consolidation. Other considerations include the interaction with other pension provisions and types of providers. In Ireland, the Irish government introduced changes which sought to harmonise the tax treatment of PRSAs and IORPs. This helped to facilitate smaller schemes unable to meet IORP II requirements to transfer to non-IORP pensions contracts known as Personal Retirement Saving Accounts (PRSAs)[19] as an alternative to joining a Mastertrust[20] (IORP). Cyprus amended transfer rules to encourage the wind-up of smaller IORPs toward class VII pension policies managed by life insurers. In Greece a legislative proposal to introduce equivalent tax treatment for IORPs and avoid market distortion between IORPs and group pension providers is currently under way.

1.2.5. EIOPA's previous advice and IORPs' scale

Although this was not their main objective, two elements of EIOPA's Advice for the review of the IORP II Directive may also contribute to more efficient scaling of IORPs:

- **Proportionality formulations**: restricting proportionality to the 'nature, scale and complexity of the activities of the IORP'[21] would apply the IORP II standards based on the risk profile and not the size. However, it may also prevent small IORPs from being incentivised with a lighter regime;
- **DC cost reporting**: requiring DC schemes to report annual costs and charges to the NCA would provide transparency and enable benchmarking across the sector[22], a practice already in place in some Member States. This could inform assertions about scale and cost savings, and enhance cost disclosure and comparability across pension products in scope of the IORP II Directive, such as through tools like COVIP's synthetic cost indicator[23] or FSMA's cost calculator for pension products[24].

1.2.6. Possible way forward

Implementing auto-enrolment systems in occupational pensions in scope of the IORP II Directive (see also Section 3.1 on auto-enrolment systems) or use workplace PEPP as auto-enrolment default option (see section 2.8.) could significantly help Member States improve occupational pension coverage whilst seizing opportunities for scaling up supplementary pensions across the EU. Provided attention is given to creating the right market and regulatory conditions, the

[19] A PRSA is a contract-based DC pension that can be provided at the workplace.

[20] A Master trust is an IORP namely a pension scheme set up under trust law with multiple employers who are typically unrelated and where the trusteeship and management of the scheme is undertaken by a third-party provider.

[21] See section 2.3 of EIOPA, Technical advice for the review of the IORP II Directive, EIOPA-BoS-23/341, 28 September 2023.

[22] See section 5.5.2 of EIOPA, Technical advice for the review of the IORP II Directive, EIOPA-BoS-23/341, 28 September 2023.

[23] www.covip.it/isc_dinamico/.

[24] The calculator is available in French or Dutch.

increase in membership and contributions stemming from an auto-enrolment system would reduce per capita expenses and foster scale.

Allowing and the possibility for Member States to require IORPs to outsource investment management as well as fiduciary management, including on a cross-border basis, subject to the conditions outlined in Article 31 of the IORP II Directive[25] could contribute to assets pooling. The IORP II Directive facilitates the outsourcing of investment management, also on a cross-border basis. However, a couple of Member States have made use of the possibility in the IORP II Directive to prohibit the outsourcing of IORPs' activities, prohibiting all outsourcing or only the outsourcing of investment management.[26] A more risk-based approach would be to only allow Member States to require outsourcing, like in Italy, or leave outsourcing up to the IORP, subject to the current conditions in Article 31 of the IORP II Directive, including that outsourcing should not impair the quality of the system of governance, unduly increase operational risk, impair the ability of NCAs to monitor compliance with the IORP II Directive and not undermine continuous and satisfactory service to members and beneficiaries.

The IORP II Directive should require NCAs to monitor market developments relating to scale, where relevant. NCAs should examine if scale leads to any cost reduction through the comparison of cost levels across types of occupational pensions and providers of occupational pensions. Where applicable, such comparative analysis could also be extended to include personal pensions and their providers.

1.3. Encouraging growth of the IORP sector through better definitions (Q13-Q17)

Improved definitions in the IORP II Directive could help ensure consistent protection for members and beneficiaries, promote access to occupational pension savings for all workers, and create more inclusive and effective occupational pension systems.

1.3.1. Current issues

EIOPA's 2023 Advice did not examine the scope and definitions of the IORP II Directive[27]. However, since producing its Advice, in the course of pensions convergence and oversight work, EIOPA has

[25] I.e. IORPs remain fully responsible for compliance with their obligations laid down in the IORP II Directive when outsourcing key functions or any other activities.
[26] See section 2.2.2 of EIOPA, Technical advice for the review of the IORP II Directive, EIOPA-BoS-23/341, 28 September 2023.
[27] Except the definition of sponsor, on which EIOPA expressed its opinion in Chapter 2.8.1. of the Technical Advice for the review of the IORP II Directive.

identified potential issues regarding the scope of IORP II application to certain types of occupational pensions:

- **The definition of an IORP and specifically reference to "agreement or contract" in the definition of an IORP is subject to different interpretations which impact on Member States' choice on whether institutions operating certain pension schemes should be included or excluded from the application of the IORP II Directive[28].** In some Member States this reference has led to an interpretation limiting the scope of the Directive to schemes established through specific types of agreements or contracts and consequently preventing the access of certain groups, including self-employed individuals, to occupational pension schemes. In some Member States, the reference to "agreement or contract" has been used to restrict access to occupational pensions for unpensioned[29] self-employed and non-standard workers, potentially limiting their ability to save for retirement through these schemes.
- **There is an inconsistent approach to regulating private institutions managing supplementary pensions at EU level. For instance, the Solvency II Directive, AIFM Directive and IORP II Directive all having different definitions and exclusions for private institutions running supplementary pensions.** However, private institutions managing supplementary pensions play a critical role in the development of sound three-pillar pension systems as they can contribute to multi-pillar risk diversification. Excluding them from EU standards of regulatory oversight can potentially, depending on national standards, create a risk of **regulatory arbitrage[30],** and this can **potentially harm member protection[31] and hinder scale opportunities[32].** Bringing these institutions within the scope of EU law could build trust in the system and protect members' interests. EIOPA does not collect information about other pension institutions outside the scope of the IORP II Directive with significant operational or financial links with IORPs. However, EIOPA is aware of cases where IORPs provide other types of funded pension provisions which lie outside the scope of EU Law (e.g. first pilar bis schemes) – these may also constitute the bulk of the pension business. Technical implementation of Article 2 of the Digital Operational Resilience Act (DORA) prompted discussions on the meaning of a 'group', a 'parent undertaking' and a 'subsidiary' and whether the IORP II Directive should in the future provide clarification on the concept of 'group'.

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[28] EIOPA's single official source of information regarding institutions for retirement provision that are not subject to the IORP II Directive is the Database of pension plans and products in the EEA. The database provides a general overview of the types of pension plans and products, but it is completed by National Competent Authorities on a voluntary basis, and it is not comprehensive in terms of the information it should hold.

[29] I.e. who currently do not have access to an occupational pension.

[30] Risk of exploiting differences in regulatory requirements to avoid stricter rules, potentially compromising member protection.

[31] Inadequate regulation can expose members to unnecessary risks, undermining trust in the system and ultimately affecting their retirement outcomes.

[32] Inconsistent regulation can limit the ability of private institutions to operate at scale, reducing their efficiency and effectiveness in managing supplementary pensions.

- **The current IORP II definition of an occupational pension allows for varying interpretations and practices among Member States, recognising that the design of the pay-out phase is governed by national social and labour law.** Some Member States permit 100% lump sum payments without restrictions. Lump sum payments offer beneficiaries flexibility in case of non-constant consumption during retirement and are often considered an attractive pay-out method by members. A steady income stream may prevent that beneficiaries outlive their pension savings, also by covering longevity risks through life annuities. In addition, a greater role of IORPs in providing a steady income stream during the pay-out phase would mean that beneficiaries would not have to shop around for annuity products, potentially resulting in poor outcomes in terms of value for money, and that IORPs would be able to invest more in illiquid assets due to the longer investment horizon.
- **Article 2(1) of the IORP II Directive on IORPs without legal personality**[33] allows for different applications in relevant Member States to what extent the IORP II provisions apply to the managing entity and the IORPs without legal personality that the entity manages.

1.3.2. Possible way forward

A clarification of the scope of the IORP II Directive and the definition of an IORP could contribute to ensuring that the Directive is applied in a way that is consistent with its objectives of providing adequate protection to members and beneficiaries, while also permitting access to pension saving for all workers, including unpensioned self-employed and non-standard workers. Moreover, ensuring that the IORP II Directive is applied in a way that is inclusive and effective could help create a pension saving system that not only protects the rights of scheme members but also creates opportunities for scale and growth. **However, amending the scope of the IORP II Directive can have substantial, and potentially unintended, impacts on national pension systems and, hence, requires a thorough analysis of the costs and benefits.** EIOPA did not have the time to carry out such an impact assessment but would suggest the following considerations:

1. **Modifying the definition of IORP in Article 6 of the IORP II Directive that focuses on the purpose of providing retirement benefits in the context of an occupational activity may prevent that certain pension providers or groups are excluded from its scope**. Moreover, the IORP II Directive could specify, e.g. through a recital, a "substance-and-form" approach to determine whether an institution is an IORP, where competent authorities consider the actual purpose and characteristics of the pension scheme, alongside the legal form or arrangement used to establish it. The inclusion of a non-discrimination principle could ensure equal access to occupational pension savings and prevent exclusion of certain groups that do not currently have access to an occupational pension, such as unpensioned self-employed and non-standard workers. This would mean that an individual IORP providing a scheme for employees would be

[33] In the following Member States, IORPs have no legal personality: Italy (Open Pension Funds), Ireland, Portugal and Spain.

obliged to provide pensions to self-employed and non-standard workers touching upon national social and labour law. This may also result in unintended consequences where an individual IORP providing a scheme for a specific sponsoring company, sector or profession would have to accept wider membership. Therefore, there may be better ways to achieve equal access to occupational pension savings for the self-employed and non-standard workers.

2. **EIOPA appreciates the intention of the Commission to explore aligning the scope of the IORP II Directive with the ECB classification of pension funds, including all private institutions managing supplementary pensions (i.e. assets-back occupational and personal pensions).** This could achieve a regulatory framework with a minimum level of protection of all members and beneficiaries of private institutions managing supplementary pensions across the EU, directly addressing the adequacy of retirement income in the EU. However, the inclusion of personal pensions, both mandatory and voluntary, would impact national pension systems and change the character of the IORP II Directive, which is based on the premise of occupational pensions and the presence of a sponsoring undertaking. **A thorough impact assessment would be necessary of the costs and benefits, also considering that non-EU regulated institutions are already regulated at national level, and to see if the IORP II Directive is suitable for regulating institutions providing personal pensions or whether an alternative framework would be more appropriate.**
3. **The introduction of a definition of retirement benefits in the IORP II Directive that puts forward the provision of addressing beneficiaries' retirement objectives would signal the importance of providing adequate retirement solutions during the decumulation phase.** Such a definition could suggest that a preferred pay-out method includes a steady and lifelong income stream, while also allowing for other pay-out options in accordance with national social and labour law. Excluding full lump sums at retirement from the definition of retirement benefits would risk that IORPs providing 100% lump sum payments at retirement in accordance with national social and labour law would no longer be within the scope of the IORP II Directive. Such institutions would, for example, have to become insurance undertakings subject to the Solvency II Directive which does not exclude occupational pensions with full lump sums at retirement from its scope.
4. **A further clarification in Article 2(1) of the IORP II Directive where IORPs do not have legal personality of the extent to which the IORP II provisions apply to the IORPs without legal personality or the authorised entities responsible for operating them or acting on their behalf would require further analysis of current national practices in the relevant Member States and an analysis of the costs and benefits of such further clarification.**

1.4. Strengthening supervision of the IORP sector (Q18-19)

Supervision becomes even more crucial in a world where IORPs are scaling up and invest in a wider range of assets taking on more risk for higher returns. Robust risk management and supervision are essential to protect members and beneficiaries. However, the current IORP II supervisory framework has several limitations. To ensure consistent and high-quality supervision across the EU, it is essential to strengthen NCAs' powers, independence, and governance, as well as clarify the scope of the Supervisory Review Process (SRP) and its correlation with the Risk Assessment Framework (RAF).

1.4.1. Current issues

To ensure uniform protection for members and beneficiaries across the EU, the IORP II Directive introduced provisions for a risk-based and forward-looking approach. However, effective implementation of these provisions relies on supervisory authorities having adequate resources, expertise, capacity and powers which in some NCAs is lacking, thereby reducing the necessary level of protection.

The IORP II Directive has several limitations, which were highlighted during the Peer Review on supervisory practices related to the application of the PPR for IORPs and in the course of EIOPA oversight activities. Furthermore, the European Court of Auditors (ECA) has also identified additional issues in its recommendations. These areas for improvement should be considered to prevent substantial variations in supervisory quality between Member States, which would ultimately impact on the level of protection for members and beneficiaries.

1.4.2. Key considerations, challenges and opportunities

The IORP II Directive poses several challenges for effective IORP supervision in some Member States, including:

- Ambiguity surrounding NCA powers, leading to inconsistencies;
- Lack of a comprehensive framework for NCA independence (i.e. operational, personal and financial independence as well as transparency and accountability)[34];
- Insufficient governance and quality standards, hindering some NCAs' ability to implement a risk-based approach; and
- Unclear scope for a Supervisory Review Process (SRP) and integration with the Risk Assessment Framework (RAF), leading to inconsistent application and ineffective supervision[35] in some Member States.

It is essential to establish robust governance frameworks with adequate resources and policies supported by substantial operational and strategic planning. Clarifying NCA powers and providing a

[34] Joint European Supervisory Authorities' criteria on the independence of supervisory authorities (JC-2023-17)

[35] EIOPA aimed to assist NCAs in gaining a common understanding of this terminology and its supervisory roles.

more comprehensive framework for their independence would be beneficial. A well-defined scope for the SRP and a strong correlation with its integral component RAF should be established to intensify effective risk-based supervision.

1. **Scaling up pensions would lead to IORPs investing in a wider range of assets**, **and this demands robust risk management** to avoid excessive risk taking. Strengthening NCA powers and supervision is essential to ensure IORPs have effective risk management practices in place.
2. **Achieving SIU objectives require NCAs to ensure that IORPs are aligned with SIU goals**, implying sufficient supervisory powers to regularly review IORPs' business models, risk management practices and investment strategies.
3. **To ensure adequacy of pensions, IORPs need to generate sufficient returns and this requires strong supervision** to monitor prudent and sustainable investments and robust risk management techniques. Thus, strengthening NCA powers and means is essential in achieving this goal.

1.4.3. Possible way forward

To ensure consistent and high-quality supervision among Member States, several key areas can be strengthened to enhance overall supervision.

- **Introducing a clear framework for NCAs' powers, similar to the Solvency II Directive, would help establish a robust foundation for supervision.** This framework should explicitly outline the general powers of NCAs, including their ability to introduce preventive and corrective measures, take necessary administrative or financial measures, and, where applicable, the possibility to issue secondary regulations.
- **Clarifying that NCAs must have not only accountability and transparency but also financial, operational, and personal independence**, in alignment with the joint European Supervisory Authorities (ESAs) criteria on independence.
- Enabling NCAs to adopt a **robust governance structure** (with requirements that align with those outlined in the EIOPA's Common Supervisory Culture). This includes requirements for having adequate resources, policies, and procedures, as well as an efficient organisation with clear allocation and appropriate segregation of responsibilities. To ensure consistency and transparency in their decision-making and actions, NCAs should be required to have a clear strategy and supervisory priorities, operational and strategic planning, and engagement with IORPs, other authorities, and institutions. Moreover, they should have a periodical reviewing of their approach and its circumstances. This will enable them to adapt to evolving financial markets and ensure a forward-looking approach to supervision.

- **The SRP should be strengthened to provide a robust and effective framework for identifying and mitigating risks.** The requirements for the SRP should be clarified and amended to strengthen its scope and integrity with the implementation of the RAF, similar to Solvency II. The SRP should cover all elements of prudential supervision provided in Article 46, ensuring a comprehensive assessment of an IORP's overall risk profile and adopting a challenging, sceptical, and engaged approach.
- **The scope of the SRP should include comprehensive assessment of the risks IORPs are facing or could face in the future**, with specific reference to the risks mentioned in Article 25(2) and 25(3). This should require a thorough evaluation of an IORP's risk profile, including consideration of potential future risks and vulnerabilities. The outcome of the SRP should be comprehensive and conclusive, providing a clear and definitive assessment of the necessary supervisory actions.

It is worth noting that a significant number of Member States have already equipped their pension supervisors with adequate powers and independence, as well as ensured an adequate scope of SRP and integrity with a risk assessment framework. For these Member States, the proposed requirements will have no impact, as they already meet all these requirements. On the other hand, Member States where NCAs still have gaps in these areas will be required to enhance the powers, independence, and scope of SRP, as well as its integrity, thereby improving the quality of pension supervision. This will ensure a level playing field and a uniform protection of the rights of members and beneficiaries across all Member States, bringing their standards up to par with those already in place in other Member States.

Additionally, the requirements for risk management, as outlined in Article 25, could be reviewed and amended to ensure they are comprehensive and effective. Specifically, Article 25(2) should be revised to align with EIOPA's advice and require the assessment to cover key risk areas such as investment risk, governance, business model and strategy, and actuarial risks. In the context of shifting towards DC, Article 25(3) should also be amended to require the assessment of members' outcomes for DC plans.

1.5. Strengthening the protection for DC members and beneficiaries (Q24)

1.5.1. Current issues

The IORP II Directive introduced provisions on the depositary functions for safekeeping of assets and oversight duties, requiring Member States to mandate the appointment of a depositary if its national law requires it or IORPs[36] to carry out themselves the depositary's functions by putting in

[36] In most jurisdiction it is mandatory by the national law to point a depositary (AT, BE, BG, ES, FR, GR, HR, IT, LI, LU, LV, MT, PL, PT, RO, SI, SK), in the rest of jurisdiction (CY, CZ, DE, DK, FI, IE, NL, NO, SE) the depositary is not mandatory, therefore, IORPs should carry out

place internal arrangements and procedures to prevent and resolve any conflict of interest between the functions of custodian and asset managers pursuant to Articles 33(8), 34(5) and 35(3) of the IORP II Directive.

1.5.2. Role of the Depositary

The depositary functions of safekeeping of assets and oversight duties are considered as a key layer of protection for members and beneficiaries, particularly in DC schemes. In the case of DC schemes, the members are not entitled to defined benefits, but rather to a pool of assets or an equivalent value according to the contributions made, thus fully or partially bearing the investment and retirement income risks. Faced with these direct risks and the attribute of explicit property over their retirement savings, it is in a DC context where the function of depositary is paramount in ensuring proper evidence, settlement and protection (oversight) of assets, while maintaining a clear separation between asset management and custody functions and preventing any conflicts of interest. These critical roles are also reflected in other EU regulations such as **the PEPP Regulation**[37], the **UCITS Directive**, as well as in international good practice such as the **OECD-IOPS Good Practices** for Pension Funds' Risk Management Systems that recommends using independent external parties as part of pension fund risk management, with regular performance assessments and whistleblowing duties.

1.5.3. Who can perform the duty of Depositary

Unlike IORPs, Solvency II does not require the appointment of a depositary, as insurance undertakings manage assets on their own and bear the investment and operational risks themselves. However, the capital requirements under Solvency II provide a strong prudential framework that reduces the need for an external depositary. Nevertheless, in practice, insurers often appoint custodians to safe keeping of assets for operational efficiency.

At the same time, the PEPP Regulation, focusing specifically on DC pensions, requires explicitly that IORPs and EU AIFMs appoint depositaries in relation to the safekeeping of assets. Moreover, the Regulation requires IORPs and EU AIFM providing PEPP to follow the rules of the UCITS Directive[38] as regards the appointment of the depositary, the execution of its tasks and its oversight duties. According to Art. 23 of the UCITS Directive[39], a depositary shall be an institution which is subject to prudential regulation and ongoing supervision that shall furnish sufficient financial and

depositary's functions. In MS where the national law requires the appointment of a depositary there is either a predominant DC market or a split between DC and DB schemes (for example in BE or ES).

[37] Article 48 of Regulation (EU) 2019/1238 of 20 June 2019 on a Pan-European Personal Pension Product (PEPP).

[38] Directive 2009/65/EC of the European Parliament and of the Council.

[39] Directive 2009/65/EC of the European Parliament and of the Council of 13 July 2009 on the coordination of laws, regulations and administrative provisions relating to undertakings for collective investment in transferable securities (UCITS)

professional guarantees to be able effectively to pursue its business as depositary and meet the commitments inherent in that function.

In this context, it is arguable if IORPs themselves are the best suited to provide such complex financial functions, especially in the context of needed separation from the asset management function and avoidance of other conflicts of interest. In many circumstances IORPs do not dispose of sufficient necessary human resources and skills and often resort to outsourcing of more complex functions. Finally, it may prove challenging for IORPs themselves to provide oversight functions as, at an institutional level, it inherently eliminates the basic four-eye principle. Still, where the alternative arrangements are applied in accordance with Articles 33(8), 34(5) and 35(3) of the IORP II Directive and these arrangements provide an adequate level of protection, a depositary would impose additional costs on IORPs without adding any additional benefits.

1.5.4. The Depositary in a cross-border context

In its technical advice for the revisions of the IORP II Directive, EIOPA did not examine IORP II provisions on depositary and oversight functions. However, since the 2023 Advice EIOPA identified issues, some in the context of cross-border IORPs. Such issues are also highlighted in the ECA Special report 14/2025 developing supplementary pensions in the EU.

The IORP II Directive establishes a minimal harmonisation regarding depositary functions, allowing each Home MS the discretion on whether to appoint a depositary or mandating IORPs to perform these duties themselves. Moreover, while IORP II allows depositaries to be a range of financial entities—including credit institutions, investment firms, UCITS, and AIFMs — MS can restrict this range (e.g. depositary can only be banks in Austria, Spain, and the Netherlands). Additionally, Home MS can mandate depositary responsibilities beyond safekeeping of asset and oversight. This flexibility brings supervisory issues in cross-border activities: differing Home and Host MS rules may leave Home NCA supervising depositary activities they are unfamiliar with—especially where national law does not require the appointment of a depositary—, thus undermining consistent prudential oversight.

1.5.5. Possible way forward

Given the crucial role that a depositary plays in a DC context, as well as the alignment with other EU legislation, and considering that replacing the alternative arrangements currently allowed by the IORP II Directive will be accompanied with costs, EIOPA believes that the IORP II Directive should mandate the appointment of a depositary for pure DC schemes, while including more consistent requirements aligned with UCITS provisions but adapted for the specificities of pensions. **Moreover, depositary functions for pure DC schemes should be performed by distinct financial institutions having the professional guarantees to be able effectively to pursue their business as depositaries and meet the commitments inherent to that function.** Such requirement would

enhance the protection of DC members and beneficiaries by safeguarding assets, preventing conflicts of interest, and building trust in the pension system. Additionally, such requirements would remove some additional legal and administrative barriers to operating cross-borders activities in case of IORPs providing pure DC schemes.

In the SIU context, a mandatory requirement to appoint a depositary for pure DC schemes where members and beneficiaries fully bear risks can demonstrate a commitment to protecting their members' assets and interests, provide an additional layer of assets' safekeeping, and promote transparency and accountability of occupational pensions, which are all essential elements to inspire trust and confidence among members and beneficiaries.

1.6. Improving information transparency in the decumulation phase (Q20)

1.6.1. Current issues

The IORP II Directive should provide minimum disclosure requirements for the decumulation phase to guide and support DC pension savers' decisions which are critical to achieving financial income security in retirement. In its 2023 Advice, EIOPA provided new elements that should be included in the Pension Benefit Statement (PBS), e.g. content layering and information provision to prospective members, and proposed that the communication channel should follow members' preferences. A specific recommendation was also made regarding the information provided during the pre-retirement phase, concerning variable annuities (see Section 4 on 'Information to members and beneficiaries and other business conduct requirements'). The transition from DB to DC schemes transfers financial risk to individuals and makes the need for clear and accessible information disclosure more critical than ever. As DC pensions offer EU citizens the opportunity to reduce their pensions gaps, the average person also struggles with navigating through the complexity of pensions. The decumulation process, whose goal is to convert accrued pension rights into a stable income stream, is a crucial phase for future financial security in retirement.

1.6.2. Possible way forward

With rising life expectancy and the need to protect against longevity risk with well-designed decumulation phases addressing future retirees' financial needs, the IORP II Directive should provide adequate minimum disclosure requirements for the decumulation phase. The IORP II Directive currently includes some general provisions regarding information during the pre-retirement and pay-out phases but lacks detail on the type of information members and beneficiaries should receive during decumulation. Minimum disclosure provisions on the decumulation phase should follow the same principles as for the PBS design e.g. clear and simple language, easy access etc., and ensure that members have the necessary information to navigate

the potentially complex choices during the decumulation phase. **These provisions should be proportionate and sufficiently flexible to take into account national specificities and include:**

- **A decumulation guide** which explains options and risks to mitigate against in retirement e.g. longevity, inflation, annuity, withdrawal, liquidity, investment, tax risks;
- **Digital tools and resources** e.g. decumulation scenario planner, retirement income calculator which could be provided by national pension tracking systems e.g. Swedish Min pension's withdrawal planner service;
- **A pre-retirement benefit statement** which would include projected pension benefits, available decumulation options, fees and charges associated with each option including potential penalties for early withdrawal. Where variable annuities are offered, this should include projections of the potential variable in the annuity amount;
- **At retirement benefit statement** which would outline the pension amount, payment frequency, applicable tax, selected decumulation option e.g. annuity rate, drawdown amount; and
- **A retirement income statement (i.e. during retirement)** – sent annually with any investment performance, fees and charges, sustainability and longevity risk, review of decumulation options where applicable (e.g. opportunity for beneficiaries to revise their option with guidance on the process for making changes).

1.7. Simplifying cross-border procedures (Q9-Q12)

1.7.1. Current issues

EIOPA 's 2023 Advice for the review of IORP II Directive outlined the shortcomings of the current framework which has failed to deliver a genuine internal market for occupational pensions highlighting in particular that:

- **The current IORP II Directive has failed to develop an internal market for cross-border IORPs;**
- **Incremental changes to the current framework may not be enough to shift the status quo and create a genuine internal market for occupational pension provision** (see Section 3.10 'Potential learning from other frameworks' of EIOPA Advice);
- **As a result, there is a need to explore alternative frameworks beyond the IORP II Directive to grow the internal market**.

Creating a truly internal market for occupational pensions is challenging because of:

- **Heterogeneous Social and Labour Law (SLL) across EU Member States[40]:** while national SLL aims to provide minimum protection and standards, the cumulative effect of 27 different

[40] EIOPA does not have a centralised overview of SLL from each MS in regard to cross-border activities and transfers. Over time the upkeep of such centralised register would be onerous due to Member States' frequent SLL changes.

national SLL frameworks at the EU level and national prudential provisions in many Member States that are not flexible enough to cater for differences in SLL from other MS creates a complex and heterogeneous environment, with differences and variations between home and host Member States, hindering the ability of sponsors and IORPs to operate cross-border pensions.

- **Complexity and ambiguity of SLL, including differences in domestic and cross-border transfer rules:** these obstruct potential IORPs' consolidation and scalability even more so when there is unequal level playing field. Different transfer rules among Member States hinders IORPs' consolidation and scalability as well as makes it difficult for pension savers to transfer and consolidate their accrued pension rights over time. IORP II currently regulates the transfers from IORP to IORP; in a predominantly DC world a wider perspective should be taken to ensure consolidation does not stop at the IORP level. The end-goal should be securing adequate retirement income and in practice this means mitigating risk of pot fragmentation at individual level.

Whilst appetite for a truly internal market for occupational pensions as initially intended in the IORP Directive remains strong, the lack of cross-border activities is a missed opportunity for a more efficient, effective, and sustainable pension system:

- **For EU citizens:** Reduced investment access and pension adequacy, leading to lower retirement incomes and reduced financial security, as IORPs may not be able to achieve sufficient scale and diversification to generate optimal returns.
- **For employers:** Limited ability to offer competitive pension benefits to attract and retain talent and skilled workers across the EU, making it harder for them to compete in the global market and potentially leading to reduced productivity and competitiveness.
- **For IORPs and their service providers:** Limited ability to offer occupational pension schemes and services across the EU, reducing their market reach and scale, making it harder for them to achieve economies of scale and reduce costs, and potentially leading to reduced innovation.
- **For EU countries with small or aging populations, or underdeveloped supplementary pension systems:** Limited access to economies of scale, reduced costs, and increased investment opportunities, making it harder for them to develop sustainable and adequate pension systems, and potentially leading to reduced economic growth, increased poverty, and decreased competitiveness.

1.7.2. Possible way forward

Various measures can be considered, ranging from simplification of existing rules to more fundamental changes that aim beyond the scope of the current Directive. While simplification measures can improve efficiency and reduce administrative burden to an extent, they are expected

to have a limited impact in the development of cross-border activities and transfers within the EEA, and on the development of a true internal market:

1. **Simplification of notification**: These changes would consist of a simplified notification procedure for DC schemes by attributing legal duty of care to the transferring IORPs and a duty of information to all parties involved, while clarifying the interaction between NCAs and IORPs[41]. A simpler procedure aligned with Solvency II procedure (aspect already explored in the Advice – section 3.8 Notification procedures), whilst avoiding notifications of "intentions", could firstly limit cross-border notifications to only real cross-border activity. Furthermore, where there is no significant change (e.g. on-boarding of a new sponsor to an existing cross-border activity with no major changes to the scheme characteristics), a duty of information to the home NCA could be considered as sufficient.
2. **Uniform cross-border transfer rules**: Section *3.7 Cross-border transfers* of EIOPA's Advice analysed this issue in depth, advising an EU-wide uniform definition of the majority of members and beneficiaries or their representatives needed to approve a cross-border transfer.
3. **Reconfiguration of the IORP II Directive's scope to foster a level playing and achieve scale**: As not all occupational pensions fall under the scope of IORP II Directive or as some providers of both occupational and non-occupational pensions are not mandated to follow IORP II provisions, the possibility of reconfiguration IORP II's scope could facilitate consolidation and achieving level playing field (see also section 1.3 on definitions);
4. **Sector focus and EC support:** An example of a more successful occupational framework that operates cross-border within the current IORP II regime and that is backed by the EC, while focusing specifically on the research sector within the union, is Resaver[42]. EC could explore backing similar frameworks for other sectors, while taking in account the lessons learned from the experience of Resaver.
5. **Introduction of a 28th regime for occupational pensions**: EIOPA suggested in its technical advice for the review of the IORP II Directive to explore a 28^{h} regime as alternative framework beyond the limitations of the IORP II Directive. Such a 28th regime is further elaborated in section 2.9., being an EU-level harmonised legal framework for PEPPs that co-exists with national rules, without overriding them, and which could accommodate a workplace PEPP with an opt-in for Member States with well-established Pillar 2 systems.

[41] This includes host NCAs having a direct communication with the entity that is commencing operations in their country, host NCA supervising specific legal requirements unfamiliar to home NCA (for example the appointment of a depositary), and host NCA requesting direct information from IORP/home NCA regarding solvency aspects.

[42] Homepage | RESAVER.

2. PEPP REVIEW

Considering the ageing population across the EU, the need to create viable and scalable supplementary pensions is becoming more and more urgent. Access to supplementary pensions, significantly increases consumers' confidence in their retirement – according to EIOPA's 2024 Eurobarometer data, consumers who have a personal pension product feel more financially confident in their retirement (48%) than those who have none (36%); hence, creating viable scalable solutions across the EU can serve two purposes:

- Providing additional supplementary savings – and future retirement income – to those consumers who already have access to both Pillar I and II pensions.
- Closing existing gaps for consumers who may not be served by Pillar II systems and/or facilitate the offering of pensions products in those Member States with limited or absent occupational pensions and in those instances where work-life patterns may require more flexibility.

Through a pan-European system, which supplements and complements existing national systems, with provisions which facilitate the cross-border offering, providers can reach the scale necessary to achieve higher returns and lower costs whilst channelling funds into key investments for the EU economy. In particular, a recognisable, trustworthy and easy to compare label could facilitate the offering and uptake across the EU.

According to recent EIOPA research, EU savers place significant value on EU labels (see section 2.1.). Revising the PEPP Regulation[43] should therefore begin with a clear focus on creating a clear, recognisable product label. This label should serve as a common, recognisable label that defines what the standard personal pension product in the EU – with possible additional national features – is, relying on shared features across existing pension products.

EIOPA proposes to maintain the existing dual structure (Basic PEPP vs non-Basic PEPP) of the PEPP Regulation, while introducing an EU label exclusively for the Basic PEPP (see Figure 1), which could also be offered as a personal pension product in selected employment based contexts (see section 2.8.). The Regulation currently distinguishes between two types of products: the Basic PEPP, which follows a standardised structure, and the Variant PEPP, which allows for more flexibility. Under EIOPA's proposal, only the Basic PEPP would qualify for the label, while more flexible PEPP Variants could continue to exist under the Regulation, without carrying the label. In practice, while the PEPP regime would apply to all products, the label would apply only to those products qualifying for the

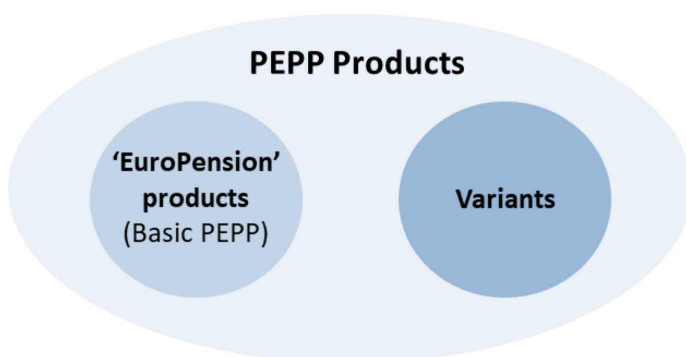
[43] Regulation (EU) 2019/1238 of the European Parliament and of the Council of 20 June 2019.

Basic PEPP requirements. PEPP variants rather than being labelled as PEPP could have different names.

To support communication to prospective savers, EIOPA proposes the name EuroPension for the standard product label – i.e., the Basic PEPP. This name is more consumer-friendly and avoids the complexity and institutional tone of 'Pan-European Personal Pension Product', which has often been confused with unrelated acronyms such as the 'Pandemic Emergency Purchase Programme'.

Throughout this advice, EuroPension is used as a working name to refer to the standardised, labelled product under the PEPP framework – effectively the revised version of the Basic PEPP – for which the proposals in this advice are primarily intended. 'Variant PEPP' refers to the more flexible and non-labelled alternative under the PEPP Regulation. 'PEPP products' refer to all products under the PEPP Regulation (see Figure 1).

Figure 1 – Proposed evolution of the two types of products under a revised PEPP Regulation



The EuroPension label must become a recognisable and scalable option for EU savers by being a simple, safe and standardised product that savers can trust and that providers can offer with minimal friction (see section 2.1.). Achieving this means improving some of the core features with a focus on better consumer outcomes rather than hard-coded and stringent requirements. Key aspects include: ensuring value for money and exploring different options to depart from the current annual 1% cost cap with solutions which are more conducive of better consumer outcomes and also make economic sense for providers (section 2.2), enabling a built-in lifecycle as investment strategy with additional risk mitigations depending on the target market's needs and objectives (section 2.3), this should also include guarantees when they offer value, simplify the customer journey by reviewing the current mandatory advice regime (section 2.4), removing the obligation for providers to offer at least two sub-accounts to make it a truly cross-border product, (section 2.5), and enabling transfers between PEPP and other products (section 2.7).

While 'EuroPension' products should be standardised and straightforward, Variants should remain flexible and allow for more personalisation. Savers who want and/or may need products

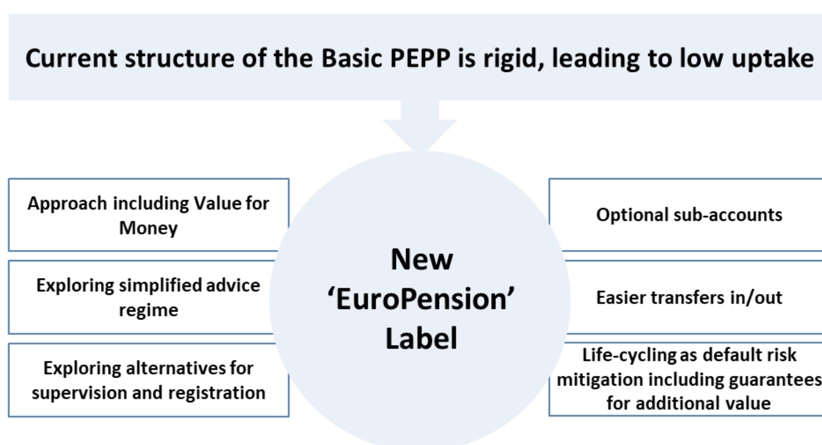
tailored to their specific needs should be able to opt for Variants with adequate advice. Both 'EuroPension' products and Variants should uphold strong transparency standards (section 2.10).

To ensure consistent outcomes for EU savers and burden reduction for providers, consideration on possible revisions to the registration and supervision of PEPP products are also presented. Although there are currently only two PEPP providers and there is no evidence the current regime has been a barrier to uptake and offer, the registration and supervision processes for the two PEPP providers have proved burdensome, complex, and areas of potential divergence have emerged. Different options can be explored for the registration and supervisory framework (section 2.6).

Although not explored in detail given the limited time, to scale PEPP products effectively, some initial considerations are presented on measures to be explored where existing supplementary pension coverage is not sufficient. These include the potential introduction of PEPP – as a personal pension product – in workplace settings with some considerations on how auto-enrolment could work (section 2.8) and a '28th regime' – a harmonised EU framework covering key aspects such as accumulation, decumulation, and investment strategy from which Member States and multinational companies could opt out. This would not cover and would not interfere with existing and well-functioning Pillar II systems.

The first sections of this input provide considerations on how to build a framework for 'EuroPension' products that addresses existing issues, while the later sections explore how to achieve scale by introducing additional changes aimed at closing pension gaps, improving returns, reducing costs and channelling savers' money towards financing long-term projects for the EU economy.

Figure 2 – Main changes proposed by EIOPA for a successful EuroPension Label



2.1. 'EuroPension' as a label for standardised PEPP products (Q28, Q40):

EIOPA is of the opinion that the introduction of an EU label for Basic PEPPs, i.e., EuroPension would help ensure its success as the EU's default personal pension product. Like for the new "Finance Europe" label, newly established products or existing national pension products could apply for the label, provided they meet a common set of EU-wide minimum requirements focused on simplicity, safety, value-for-money (VfM) and transparency – and provided that these products are offered by providers recognised under the PEPP regulation. These qualifying features would encompass some of the features set out in the Regulation, along with proposed revisions outlined in this paper.

Variants would remain outside the scope of the label, as they are designed to offer greater investment flexibility and optional features that differ from the simplicity and safety of the default PEPP option. Their heterogeneity and generally higher risk profiles mean they cannot meet the stringent 'default' criterion required for the EuroPension label. Excluding them from the EuroPension label ensures that only the most standardised and adequate offerings are marketed under it. Variants would not have any label but would be governed by some of the specific features of PEPP.

For savers, the EuroPension label would function as a clear mark of quality, signalling that the product adheres to stringent EU standards. According to EIOPA's 2025 Eurobarometer survey 54% of EU consumers would be more likely to buy a pension product if it had an official EU label, increasing to 65% for those under 24 years old. When asked why, EU consumers expressed expectations that a label would mean better quality by meeting strict EU standards (40%). They also reported greater trust in pension providers with an official EU label (36%), believed that a label would ensure better consumer protection (35%), and expected that it would offer greater transparency on product features (33%). Additionally, previous consumer testing on the PEPP Level 2 work in 2019 showed that the presence of the EU flag increased product selection by 32%, which likely reflects increased consumer confidence.

For PEPP providers, earning the EuroPension label for qualifying products, would help them attract savers looking a simple and transparent pension option under an EU label. This could support greater scale, helping to lower providers' costs.

For the EU, a dedicated EuroPension label can serve as a tool to channel private capital by attracting new pension savers towards investments that support the EU economy and infrastructure including more equity investment given the proposed default lifecycle, contributing to broader policy objectives. Broadening the label's scope to include qualifying national products, where providers want to use the EuroPension label, could significantly enlarge the PEPP market, raise public awareness, and boost retirement savings across the EU. In practice, through the EuroPension label successful national products could easily passport into other markets and benefit from some of the simplified features envisaged in this paper. The creation of 28th regime, where

applicable and relevant to close existing gaps and facilitate uptake, could act as a driver for broader harmonisation, fostering deeper market integration across the EU and encourage the development of personal pension markets, particularly in Member States with low current uptake.

2.2. Ensuring value for money in PEPP products (Q25, Q26)

In this section, EIOPA proposes various options for developing a framework that relies on a value for money (VfM) approach to ensure good outcomes for PEPP savers. Although the cost cap is currently seen as unattractive to potential PEPP manufacturers and distributors, it is important to note that these options can be complementary or alternative to the cost cap, which itself is subject to periodic review by the EC. Specifically, EIOPA outlines the issues with the current cost cap and makes considerations on four possible ways forward for 'EuroPension' products: i) a full VfM approach, ii) a VfM approach complemented by targeted cost caps, iii) targeted cost caps, iv) revised cost cap considering the entire term of the contract. Pros and cons are presented for each option. If well implemented the VfM approach presents a number of advantages, even though there are challenges.

Ensuring transparency of costs is necessary regardless of whether a full value for money approach or a revised cost cap is kept and implemented. In particular, existing requirements on cost transparency should be kept and should option 2, 3 or 4 be chosen, it must be clear to savers which cost components fall within and which, if any, fall outside the cost cap, this in addition to the current total costs presented in the KID.

2.2.1. Issues with the existing cost cap

The fixed cap of 1% of annual costs is not attractive to product providers and does not necessarily lead to better outcomes for savers. Providers often incur losses in the early years of a contract, as the 1% fee cannot cover the actual costs incurred, including acquisition costs. Conversely, savers are disadvantaged in the later years of the product when the amount of capital saved has grown substantially, resulting in higher absolute fees even if the assets are following lifecycle strategies and therefore are shifted to lower-risk, fixed-income solutions that require less management effort and expertise.

Furthermore, the cap does not reflect a proportional relationship between benefits and returns offered to savers, the expenses borne by providers, and the fees charged to savers – which in EIOPA's view is key to ensure value is offered[44]. The current cap because it is linked to assets under management (AUM) – i.e., providers can charge up to 1% annually for AUM – does not equate cost with the services provided. A clear example are administrative costs charged to savers. As the

[44] Supervisory statement on assessment of value for money of unit-linked insurance products under POG - EIOPA.

accumulated capital grows over time, the absolute level of costs increases, even though the work performed by the provider in managing the pension plan remains the same. This is a key issue, as administrative tasks, such as record-keeping, statements and tax reporting, are largely independent of the size of the accumulated capital. The cap, as currently designed, leads to situations where savers pay more in administration costs over time (absolute terms), because their accumulated capital has grown, rather than because they receive additional services.

In addition to these issues, the cost cap may lead to an unlevel playing field. While VAT and taxation are not in EIOPA's or the EC's remit, it is important to note that considering the current cap includes VAT and VAT varies across Member States, the current cap, in the way it is structured, creates an unlevel playing field.

Looking at pension products across Europe and in the selected other jurisdictions, among the products analysed, most do not impose a cost cap on entry and ongoing fees. In the EU, only Ireland's Standard PRSA (capped at 1% of accumulated capital) and Spain's Plan de Pensiones Individual (PPI) (capped at 1.75% of accumulated capital for asset management fees and 0.2% for the depositary fee) feature cost caps. By contrast, France's PER, Italy's PIP, Germany's Riester and Rürup pensions, and Poland's IKE and IKZE operate mostly without imposing a cost cap (the PER only imposes cost caps on transfer fees). Outside the EU, the UK's SIPP and Australia's personal superannuation products offer no cost caps, while New Zealand's KiwiSaver caps fees only for its default fund.

2.2.2. Option 1: Full value for money approach (could apply to both EuroPension and PEPP Variants)

Option 1 proposed by EIOPA consists of removing the cost cap and replacing it with a fully-fledged and comprehensive value for money approach, which contains specific elements for EuroPension. A value for money approach which takes into account the needs, objectives and characteristics of the target market, can ensure better consumer outcomes while making the product more attractive for providers to offer. Such a shift would allow for a more proportionate, flexible and outcome-focused approach that better reflects the diversity of PEPP designs and saver needs – also considering possible extension of PEPP to employment-based contributions (see section 2.8.).

EIOPA sees a value for money approach for EuroPension and Variants as offering a significant number of advantages:

- **Stimulating product offering:** PEPP providers would not be constrained by a cap but would price their products in line with the value they deliver, thereby supporting a more viable and scalable business model. This would increase the appeal of the PEPP for providers, particularly given the current lack of scale.

- **Better consumer outcomes:** a VfM approach would ensure that the costs charged are commensurate to the benefits offered by PEPP products. Costs would therefore remain within appropriate and reasonable limits without a 1% annual cap, which may already be considered high for a well-functioning pension system. Moreover, lower fees alone do not guarantee a better product, what matters is that the value delivered is commensurate with the costs charged. Indeed, excessive focus on low costs may not put enough focus on net returns and cause savers to miss out on potentially higher long-term performance.
- **Flexibility:** a VfM approach classifies and verifies each product according to its return and costs, proving to be a very flexible tool that can be used for multiple supervisory purposes and across jurisdictions with different characteristics:
  1. A VfM approach could be applied across **all PEPP products**, not just 'EuroPension' products, thereby contributing to a more consistent approach for savers, regardless of the chosen option.
  2. A VfM approach could be gradually adjusted to reflect costs and return trends in the market, thus ensuring product continue offering value also in light of market changes. For example, if, with increasing digitalisation, expenses for offering PEPPs would decrease, the VfM approach could be adjusted.
  3. A VfM approach could also envisage a specific – more stringent – approach for EuroPension given the importance that EuroPension remains a cost-efficient product.
  4. A VfM approach could be applied at **all stages of the product supervisory cycle** (registration and ongoing supervision), even if ex-ante checks of VfM can prove challenging in certain markets where many options are offered under one product wrapper – in fact, in these markets, value can vary significantly depending on the options offered so a specific methodology and approach would need to be developed.
  5. If PEPP is expanded to include workplace contexts, it can be applied **across Member States with different pension systems**. In Member States where PEPP complements strong Pillar II systems, more aggressive (and costlier) investment strategies may be appropriate, especially for Variants, and this may lead to justified higher costs. Where PEPP serves as a substitute for low Pillar II coverage, safer and less costly strategies would deliver better value. A VfM approach ensures that, for both cases, costs remain proportionate to benefits. This approach would enable more standardisation depending on the different target market, thus further ensuring EuropePension is a safe product that offers value.

While there are significant advantages in replacing the cost cap with a full value for money approach, there are also some implementation challenges:

- **Burden for supervisors**: a VfM approach could lead to some additional burden for supervisors, as it would require significant ex-ante (if envisaged) and/or ex-post supervisory scrutiny. This is especially true for multi-option products.
- **Small number of PEPPs currently on the market**: the few PEPP products currently distributed restricts significantly product clustering and peer comparisons. This could be partially mitigated by applying progressively, starting with broad clusters (e.g. EuroPension vs. Variant) and introducing more detailed segmentation as more products come to market. Another mitigating measure could be to initially use existing national pension products that are similar to PEPPs for the calculation of the benchmarks.
- **Less effective in tackling overall cost levels**: VfM can be an effective strategy for tackling outliers, but an approach based on benchmarks is less effective when costs are high for all providers (especially when the benchmark is set at a high level). There is a risk, especially in the case of 'EuroPension' products, that, over time, providers add costs based on new services or features that do not materially improve the long-term pension outcomes. Even though a value for money approach would need to ensure that additional features correspond to a specific need of the target market.

In line with the EC's review of the PEPP Regulation with relevant changes, EIOPA could design, for example, a tailored VfM benchmark methodology to ensure PEPPs offer VfM. Although VfM for PEPP and more broadly for personal pension products would need to be clearly defined and further work is required, some preliminary considerations on using the IBIPs VfM benchmark methodology as a basis are provided. In particular, a possible methodology could be based on three core elements (see the Annex for more details on a tentative methodology):

- Step 1: Cluster of PEPPs into peer groups with similar features;
- Step 2: Define standardised VfM indicators based on data found in the PEPP KID. These indicators are simple, objective, and allow for cross-provider comparability;
- Step 3: Following the calculation of the indicators for the PEPP market, benchmarks would be established for each cluster based on the quartiles of the distribution of the indicators – quartiles could be different for EuroPension and other PEPPs.

EIOPA has presented, in the Annex, some preliminary ideas on a tentative clustering model and indicator set, built around the information currently available in the PEPP KID, which would not require any additional reporting by providers. These are preliminary ideas. Further thinking, analysis, and calibrations would be required, should EIOPA develop a fully-fledged VfM benchmark approach for PEPP. Consideration could also be given to linking VfM with registration – thus guaranteeing an *ex-ante* check on the overall product compliance rather than compliance with the cap. This could be effective in achieving good outcomes and less burdensome for Authorities than the current approach for IBIPs, even though it may still constitute a burden for supervisory authorities.

All indicators rely on mandatory PEPP KID disclosures and would, therefore, not require any additional reporting burden for providers. As PEPP KID indicators are based on projected performance, further checks could be carried out on ongoing value (i.e., current reporting includes performance so projected vs actual performance could be subject to supervisor scrutiny). Moreover, EIOPA already receives the PEPP KID as part of the PEPP registration process and could therefore use the documents received to build these benchmarks. As of 10 January 2028, a more standardised database of the PEPP KIDs along with the metadata will be made available via the European Single Access Point (ESAP).

2.2.3. Option 2: Value for money approach with targeted cost cap(s) (EuroPension)

Should a full VfM approach not be implemented for 'EuroPension' products, consideration could be given to an option that complements a VfM framework with cost cap(s) on one or more cost components. This hybrid approach would not impose a single cap across all costs but instead set cost cap(s) on one or more cost components. While EIOPA believes that further analysis is needed to select which component(s) should be subject to the cap(s) and at what level these caps should be set, below is outlined an illustrative example of possible caps – others such as asset management fees based on the different types of assets could be considered:

- Administration costs could be capped as a fixed annual amount;
- Entry costs could be capped per transaction (e.g. 0.5%-1.5% of the contribution amount), to recover upfront cost for providers while avoiding a big portion of contributions going into costs.

While these cap(s) would impose limits on specific cost element(s), the VfM part of this approach would apply to the product overall. This means the VfM assessment would evaluate the entirety of the product in terms of value delivered relative to total costs, product features, returns and suitability for the target market. Additionally, asset management fees and depositary fees could be subject to the VfM assessment, allowing providers to differentiate their offerings and reflect the cost-return profile of the underlying investments.

This option also brings advantages and drawbacks. As for option one, this approach would offer a more flexible cost structure and better reflect the proportionality between benefits offered and costs incurred. **On the other hand, it adds complexity for both the providers and the consumers**. Targeted cost caps would allow providers to differentiate their offerings without being constrained by an overall cap, stimulating product offering. Targeted cost caps can also support in maintaining the overall cost level low to a set amount. At the same time, targeted cost caps can risk increasing the complexity of cost structures, making it harder for consumers to understand the overall cost they are charged. It is important therefore to ensure that any review of the cost cap is accompanied by a review of disclosure requirements, to ensure that all costs are transparently reflected and explained to consumers. Further, albeit less than a fully-fledged cost cap, targeted cost caps could also impair product offering and innovation.

2.2.4. Option 3: Technical improvements to the cost cap (EuroPension)

If the EC chooses to maintain the cost cap, EIOPA outlines below technical improvements to make it more outcome-oriented and consistent with the objectives of the PEPP framework:

- **Revising the cap to ensure a level playing field:** Excluding VAT from the cost cap could help avoiding that the caps lead to an unlevel playing field across-providers. However, it could also be mis-leading as consumers may see additional charges beyond the full encompassing 1%.
- **Adopting a more flexible approach to capping different costs**: The current annual 1% fee cap fails to account for the costs associated with different types of investments and services. While more complex to implement than a value for money approach, an alternative approach involves capping different costs separately, an illustrative example is provided below:
  - Administration costs (recurring) and entry costs (one-off) could be capped like in option 2; Asset management fees could be capped depending on the underlying investment strategy (e.g. 0.5% for fixed income, 1.25% for equities), reflecting the cost-return profile.

While improving clarity and proportionality between benefits offered and costs incurred compared to the current 1% cost cap, this approach does not allow for a flexible cost structure and limits the possibility for providers to compete based on the services they offer. Moreover, removing VAT from the overall cost cap might lead to additional confusion for consumers.

2.2.5. Option 4: Revised cost cap considering the entire term of the contract (EuroPension)

Another possibility could be to keep an overall cost cap, but to replace the current annual approach with one that considers costs over the entire duration of the contract (e.g. 40 years). This is already an approach used for calculating an optional summary cost indicator in the PEPP KID, as the average cost over term of the contract (Annex III, point 29 of the PEPP KID DR). This approach is more flexible than the current cost cap as it could allow higher start-up costs, which could then be spread out over the entire term of the contract. Further analysis would be required to define the level of such a cap.

While this approach would allow more flexibility for providers, it would not address the need to ensure costs are aligned with the benefits provided, as providers could charge up to the set cap without providing corresponding benefits or services. Further, it may still remain unattractive economically and stifle innovation.

Illustrative example of projections on cost and accumulated capital

Assumptions: Although the numbers presented are abstract, this illustrative projection can show in practice how the i) current cost cap, ii) a value for money approach with targeted cost cap(s), and iii) a revised cost cap, work. The objective is to show how the fixed 1% cost cap leads to significant

erosion of consumers' returns compared to a revised cost structure as proposed by EIOPA under options 1 to 3.

Projection 1: current cost cap (Scenario 1) vs. revised cost cap (Scenario 3)

Each scenario assumes that the saver contributes 1,200€ yearly (100 euros monthly) and the returns follow a lifecycle strategy investment, with returns at 7% for the first 20 years, and then 5% for the years 21-30 and at 3% for years 31-40. VAT is not included in the costs and projections. Please note that while the numbers used in this example are abstract, they are based on realistic returns, costs and assumptions taken from existing IBIPs with retirement purposes.

Scenario 1: current cost cap. This scenario is based on the current cost cap of 1% on AuM.

Scenario 3: revised cost cap. This scenario is based on a different cost structure, as follows:

- Entry fees: 3% of each contribution (=maximum cap)
- Administration costs: 30€/per year (=maximum cap)
- Asset Management Fees: 2% of AuM for the first 20 years, 1% of AuM from year 21-30, 0.5% of AuM from year 31 to year 40 (=maximum cap)

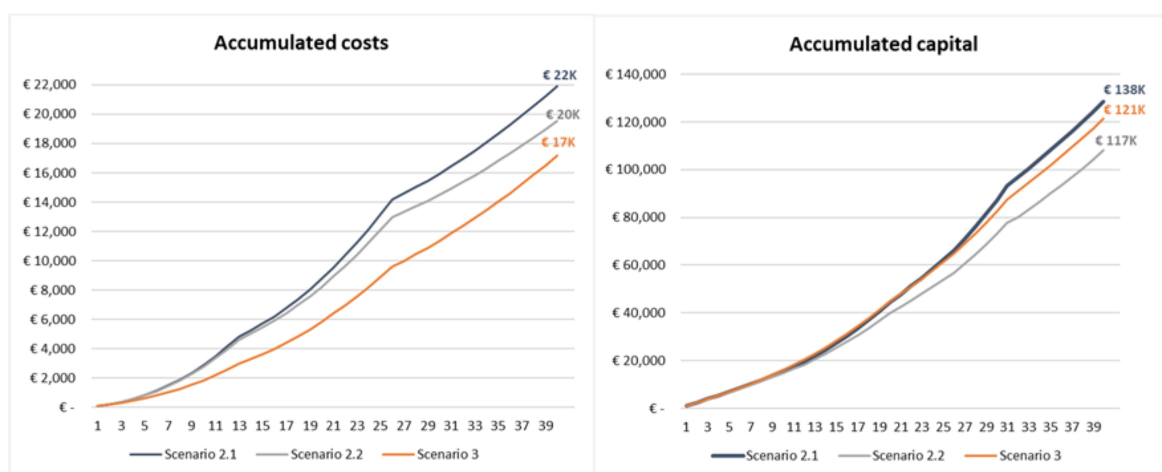
The following two graphs show the evolution of total costs and total asset value:

These projections show that in Scenario 1 costs, although lower at the beginning of the product's life, in the last 10 years before retirement, as the pot increases, become higher than in Scenario 3. Similarly, total value of assets increases faster in the first years (as more capital is invested rather than kept in costs), but this is inverted in the last years before retirement, where the higher costs lower the invested assets and growth of the portfolio.

Projection 2: Value for money approach with targeted cost caps

Scenario 2 demonstrates the potential benefits of a partial Value for Money approach (Option 2 outlined above), where providers compete based on the added value they offer via asset management costs (not capped in this scenario), rather than charging fees for administration or entry costs (capped respectively at 30€/y and 3% of each contribution as in scenario 3 above). The latter are capped to prevent excessive charges on services that do not bring particular added value, also considering this option together with the proposal to have "simplified advice" (see below), which would lead to lower entry costs. By focusing on asset management, providers can differentiate themselves and offer better performance to savers. This approach can lead to improved outcomes for savers, as providers are incentivised to deliver high-quality investment management services.

To illustrate the impact of this approach on costs and performance, two scenarios are developed. In both scenarios, providers adopt a lifecycle investment strategy due to their use of more aggressive investment strategies. The key difference between the two scenarios lies in the actual value added for customers, namely, the return obtained. In Scenario 2.2, the higher costs are not justified by a higher return, as the provider fails to outperform the returns of Scenario 3 (cost cap scenario), ultimately resulting in a lower return for the consumer given the higher costs. In contrast, Scenario 2.1 shows that the higher costs (which exceed those of Scenario 3) are rewarded with a higher return, outperforming the returns of Scenario 3 and resulting in a higher accumulated capital overall. Specifically, the return of Scenario 2.2 is assumed to be the same as in Scenario 3, with returns at 7% for the first 20 years, and then 5% for the years 21-30 and at 3% for the years 31-40, while for Scenario 2.1 its at 8% for the first 20 years, 6% for the years 21-30 and at 3% for the years 31-40.



2.3. Investments: rules, lifecycling strategies, risk mitigation techniques (Q27, Q32, Q35)

EIOPA supports a built-in lifecycling investment approach as a standard risk-mitigation technique of 'EuroPension' products. Additional features such as capital protection guarantees or guaranteed returns could be offered at different stages of the lifecycle, in particular where they provide equal or additional value to a given target market and correspond to a specific need. A lifecycle strategy offers a structured and rules-based approach to support long-term capital growth and, given the PEPP's longer term nature, allows savers to recoup possible short-term losses over time. While lifecycle should be the default option, capital protection guarantees could complement it by offering additional safety and/or returns at different stages of the lifecycle (see the Annex for proposed amendments to the PEPP Regulation).

EIOPA also supports retaining the prudent person principle, which aligns investments with PEPP savers' needs, while giving PEPP providers flexibility without undue regulatory burden.

2.3.1. Lifecycling strategies

Lifecycle strategies represent a widely used and effective risk-mitigation approach in pension systems, offering a structured path to capital protection for PEPP savers, though they also present design and implementation challenges that must be carefully taken into account. Lifecycle strategies[45] can offer a prudent, effective way to manage investment risk over time, aligning with PEPP savers' goals and enhancing the product's appeal. For savers, they offer several advantages:

- **Balances growth and security:** starts with a higher risk profile (when the saver is younger) to maximize growth and gradually reduces risk (as the saver ages and moves closer to retirement) by shifting to safer assets to preserve capital; provides a disciplined, rules-based approach to capital protection which may have, at retirement, a similar outcome to providing a guarantee on capital;
- **Reduces complexity for PEPP savers:** automatic investment reallocations remove the burden on PEPP savers to constantly manage or adjust their portfolio; simplifies decision-making for PEPP savers who may lack financial expertise or who would need to obtain advice; mitigates the risk of PEPP savers making inappropriate long-term investment choices; adjusts investments to suit the individual's time horizon, making savings more aligned with their personal situation;
- **Addresses behavioural biases:** can reduce the risk of suboptimal investment decisions and address certain behavioural biases that individuals often exhibit when managing their

[45] Lifecycling strategies entail a dynamic asset allocation. The investment mix changes automatically based on the PEPP saver's age or the time remaining until retirement. PEPP savers furthest away from retirement invest in long-term investments which can benefit from higher investment returns due to their specific higher risk characteristics (e.g. illiquid or equity-type asset classes). As the PEPP saver approaches retirement, the strategy gradually reallocates capital toward lower-risk investments (e.g. bonds and cash).

retirement savings, including loss aversion, inertia, overconfidence and market timing (i.e., panic selling during market dips);

- **Allow for investment diversification:** allow for investing in diversified asset types across geographies, thus limiting risks for savers;
- **Can enhance cross-border portability:** provides a harmonised investment framework that is both consistent with established supervisory practices.

While lifecycle investment strategies offer clear advantages in managing risk over time for PEPP savers, they are not without limitations and may present certain drawbacks. The automatic switching from higher-risk, growth-oriented assets to lower-risk, capital-preserving assets as PEPP savers approaches retirement can, in certain cases, result in sub-optimal outcomes for PEPP savers. If markets temporarily decline during the de-risking phase and where the de-risking phase is shorter than a usual market cycle, the strategy may trigger sales of growth assets at a loss, locking in poor returns and potentially missing the opportunity for recovery. In addition, if markets perform strongly in the de-risking period close to retirement, switching into low-risk assets early may result in missed growth, an opportunity cost that could significantly reduce final outcomes for PEPP savers. Some risks can be mitigated via gradual shifts and sale of assets.

Mitigating some of the risks relating to lifecycling strategies can, at time, be less cost-effective. While generally cost-effective, some lifecycle strategies may incur higher costs than static investment strategies due to frequent rebalancing, especially if not efficiently implemented or if underlying funds are actively managed without added value.

Some established pension systems across the EU, use lifecycle approaches as the default investment strategy:

- **Netherlands:** collective defined contribution and individual DC schemes often have embedded lifecycle strategies into the default design;
- **Sweden:** The state-run AP7 Såfa fund – the default for the Premium Pension (PPM) system – employs a lifecycle investment strategy**.**

The Annex sets out relevant considerations in the implementation of a default lifecycle investment strategy for 'EuroPension' products. These are essential to ensure an effective and adaptable approach, which balances consumer protection objectives with alignment to best practices in the EU.

2.3.2. Guarantees

Guarantees can serve as a complementary tool to the default lifecycling investment approach, if they offer value based on the needs and objectives of the identified target market. While a lifecycle strategy gradually reduces investment risk over time, guarantees can complement lifecycle strategies and provide additional value, particularly in volatile market conditions or for savers with

lower risk tolerance. These guarantees can be flexibly applied at different stages of the lifecycle, for instance, closer to retirement when capital preservation becomes more important.

EIOPA holds the view that when properly designed and when aligned with the target market's needs and objectives, guarantees – whether capital protection guarantees or guaranteed returns – can offer value. Guarantees can increase costs for providers due to the need for higher capital reserves, potentially limiting market participation, especially among smaller or non-insurance providers. Guarantees may also lead to more conservative investment strategies, reducing long-term returns for savers. Additionally, they can introduce portability constraints, particularly when linked to specific providers or legal frameworks, complicating transfers across borders. However, guarantees can also bring significant benefits. Particularly when not designed as a default capital protection strategy but rather as additional features which can add value to the target market. For example, when PEPP is offered as supplementary pension rather than complementary to Pillar I and II, they could be valuable to this specific target market. Moreover, employers could negotiate capital protection guarantees at lower costs and better value as they may subscribe large pool of savers. Guarantees could also offer value at different stages of the lifecycle strategy – e.g., guaranteeing returns closer to retirement.

EIOPA holds the view that, while lifecycle strategy should be the default option, different target markets may have differing needs, particularly when EuroPension is offered in workplace context and employers may seek more risk-averse options for savers. Hence, in addition to the lifecycle default strategy, additional risk-mitigation strategy should be allowed so as long as they are designed to offer a higher value to the target market.

2.3.3. Simplifying Article 14 of DR (EU) 2021/473 (Objective of risk-mitigation techniques)

Article 14 provides the core regulatory foundation for PEPP risk-mitigation techniques, combining strong consumer protection with quantitative safeguards; any simplification must preserve these essential objectives while supporting innovation and cost-effectiveness.

Core qualitative consumer protection requirements

The provisions set out in paragraph 1 and paragraphs 4 to 8 ensure that PEPP risk-mitigation strategies align with PEPP savers' retirement goals, protect capital with high probability, treat PEPP savers fairly, are supported by sound governance and remuneration policies and allow flexibility in de-risking during adverse conditions. EIOPA finds these provisions essential to maintain saver protection, foster trust in the PEPP and ensure it delivers secure retirement income. In particular, in a lifecycling approach, these principles (i.e., investment strategy reflects the needs of PEPP savers and that all PEPP savers within the targeted market are treated equally) should be maintained and paragraph 8 already provides for mitigation in case of a lifecycling approach.

Quantitative criteria underpinning PEPP risk-mitigation principles

Paragraphs 2 and 3 set out quantitative performance and protection thresholds for PEPP risk-mitigation strategies to ensure they deliver inflation-adjusted, reliable and adequate outcomes. Expected loss (the gap between projected contributions and accumulated capital) must not exceed 20% in adverse (5th percentile) market scenarios, the strategy must have at least an 80% probability of outperforming inflation over a 40-year accumulation period and PEPPs without a formal capital guarantee must offer PEPP savers a high chance to recover their capital invested. PEPP providers must employ stochastic modelling techniques to evaluate and fine-tune risk-mitigation strategies.

To enhance the attractiveness of the PEPP, simplifying quantitative rules could lower the costs associated with some risk-mitigation techniques, making the PEPP more competitive. Targeted amendments could streamline these requirements:

- **Reduce complexity:** allow PEPP providers more flexibility in designing risk-mitigation techniques, avoiding overly prescriptive rules that may limit innovation;
- **Permit diversified strategies:** allow dynamic risk-mitigation techniques (e.g., lifecycle adjustments, dynamic hedging) that adapt to market conditions;
- **Allow more flexible guarantee structures:** including gradual protection mechanisms that allow for increasing protection as retirement approaches or differentiated guarantee levels (e.g., partial vs. full capital protection);
- **Harmonise with existing EU pension frameworks:** allow PEPP providers to use equivalent risk-mitigation techniques used under UCITS or IORP II to reduce regulatory duplication.

Simplifying risk-mitigation rules by recalibrating protection thresholds can make the PEPP more competitive, while still supporting sound investment strategies for good pension outcomes. A meaningful review of this article requires thorough, evidence-based analysis of recalibration options. This includes analysing the protection of PEPP savers' capital, their contribution to consistent outcomes and the practical application of risk-mitigation techniques by PEPP providers. Without a thorough evaluation, changes risk unintended consequences, including weakening the product's appeal for PEPP providers. Altering key principles, like protection thresholds, could erode trust in the PEPP's reliability and transparency.

For these reasons, EIOPA considers that further analysis and considerations should be made on possible changes to Article 14.

2.3.4. Consistency of investment rules across PEPP providers

Ensuring consistency in investment rules across diverse PEPP providers, while maintaining the prudent person principle, is key to balancing consumer protection, regulatory fairness, and broad market participation in the pan-European pension market. EIOPA acknowledges that PEPP providers operate under diverse sectoral frameworks (e.g., Solvency II, IORP II, MiFID II) tailored to

specific risks inherent to their business models. Some variations in investment rules may be needed to reflect differences in risk characteristics including differences in guarantees, risk-bearing structures or prudential regimes. Despite differing frameworks, a level playing field is essential to prevent regulatory arbitrage, ensure fair competition, and uphold consumer protection.

Therefore, while EIOPA does not advocate for absolute uniformity in all investment rules, it supports greater consistency, transparency, and proportionality in their application, particularly with respect to the EuroPension label. The aim is to balance prudential safeguards with the goal of encouraging broad market participation and fostering a truly EU-wide pension product. In the context of inconsistent investment rules impacting the PEPP, EIOPA finds it relevant for the EC to examine the divergences in national investment regulations (please see the Annex).

In the context of the PEPP, it is important to note that the PEPP Regulation establishes a standardised set of core product features, with investment rules being one of the key elements. Harmonisation of investment principles applied to PEPP is fulfilled by applying the prudent person principle, consistent with frameworks such as Solvency II and IORP II for insurers and IORPs, or the relevant sectoral regulations applicable to each type of provider.

This principle, when applied to the PEPP, ensures alignment with essential standards:

- **Investor protection:** PEPP providers act responsibly and prioritise the best interests of PEPP savers, safeguarding their retirement assets from undue risks;
- **Trust and confidence**: PEPP providers build trust with consumers and regulators, supporting the development of a credible EU-wide pension product;
- **Risk management**: promotes diversification and prudent risk-taking;
- **Alignment with long-term objectives**: encourages strategies that balance growth and capital preservation over time;
- **Regulatory consistency**: many existing pension and investment frameworks across the EU already incorporate this principle, fostering harmonisation and easier supervision.

The prudent person principle strikes an effective balance by avoiding overly detailed investment regulation, thereby facilitating provider participation and, at the same time, requires PEPP providers to adopt an investment policy tailored to the characteristics and needs of PEPP savers.

EIOPA supports the continued application of this principle within the PEPP framework, even if it results in certain providers being subject to more stringent investment requirements, insofar as these reflect the nature of their underlying sectoral regulation and risk profile. This is particularly important if the PEPP is opened to employers' contributions as presented in Section 2.6.

2.4. Distribution (Q30, Q29, Q37)

2.4.1. A simplified distribution process for 'EuroPension' products

Given EuroPension's objective of being a simple and accessible product, EIOPA is of the opinion that the requirement to provide mandatory advice should be replaced by a "simplified advice" regime, noting however the need to assess any potential impacts of such a change for markets which might currently have a savings and investment culture premised on the provision of mandatory advice[46]. Currently, PEPP providers and distributors must offer advice prior to the conclusion of the contract and at the start of the decumulation phase, which adds significant costs, time and complexity. These requirements are aligned with those for IBIPs[47] and a broader revision of the advice process may be needed. However, it is also important to note that a simplified advice process may be more relevant for EuroPension, which must abide by investment and costs requirements making it safe, cost effective and simple. From both an SIU and a Simplification/Burden Reduction perspective, there should be scope for a method of gathering information on savers in a simplified manner, while ensuring that they understand the impact of costs on returns and also that they are buying - and are able to hold over time - a long-term pension product.

Several national pension products across the EU allow for distribution without advice, particularly when the product is standardised. For instance, Poland's Indywidualne Konto Emerytalne (IKE) and Indywidualne Konto Zabezpieczenia Emerytalnego (IKZE), and Ireland's Personal Retirement Savings Account (PRSA) can be purchased directly by savers without advice, often through digital channels. Spain's Plan de Pensiones Individual (PPI) and Portugal's Plano Poupança Reforma (PPR) also support sales without advice. In Germany, Rürup pensions and Riester pensions may also be purchased without advice, depending on the provider and distribution channel, but it is not common.

EIOPA considers the existing regulatory requirements around the sale of the default PEPP option with mandatory advice (Article 34) may not fully take into account the fact that the Basic PEPP is a mostly standardised product with a number of consumer protection safeguards. Mandatory advice could discourage prospective savers with relatively simple demands and needs, particularly in a digital environment where the saver's attention span may be much shorter than face-to-face, from otherwise beneficial savings/investment choices. There is a need to bring a stronger focus in the current regulatory framework on the achievement of good savers outcomes from the sales process and less on formulaic, procedural requirements, by focusing on more simplicity or proportionality in the sales process.

[46] For example, under the IDD, 11 Member States have a "mandatory advice" regime for the sale of Insurance Based Investment Products (Source: EIOPA Factsheet on the 2nd IDD application report).

[47] The IDD establishes a general requirement for advice in the sale of IBIPs but provides Member States with the flexibility to opt out of this requirement under specific conditions. Therefore, the provision of advice in relation to the sale of IBIPs is not universally mandatory across the EU.

Moreover, in potential PEPP products with employer contributions and auto-enrolment, mandatory advice becomes less relevant, allowing for the possibility for a non-advised distribution model where the PEPP provider does not need to assess the saver's profile and carries out the saver's instructions without offering advice on whether the product is suitable[48].

EIOPA considers that the mandatory advice requirement could be replaced by a simplified distribution process[49] for 'EuroPension' products, while it would remain mandatory for Variants. Should mandatory advice be replaced with simplified advice for EuroPension, this could be further defined, including with the view of taking into account some specific products which could qualify for the EuroPension label, such as MOPs, considering their specific nature and the need to assess any potential impacts of such a change for markets which might currently have an investment culture premised on the provision of mandatory advice.

The replacement of the mandatory advice requirement could significantly enhance cost-efficiency and attractiveness without compromising consumer protection objectives by:

- **Lowering distribution costs**: mandatory advice means additional cost for providers, especially for digital or streamlined distribution models. Removing this requirement would reduce the entry costs, thus increasing its appeal. EIOPA's 2025 Cost and Past Performance Report indicates that entry costs — used as a proxy for advice-related distribution expenses — are a driver of higher reduction in yield (RIY).
- **Aligning with product and service simplicity**: the default PEPP option is designed as a standardised product with clear parameters and a lower risk profile reducing the need for a full suitability assessment, or appropriateness assessment, especially if lifecycling becomes the default option. Making 'EuroPension' products available through a simplified advice regime, would reflect its simple nature and promote uptake by savers who could be deterred by a long advised sales process.
- **Supporting digital innovation**: Simplifying the advice regime would facilitate the development of low-cost digital distribution channels. This could improve uptake among younger or more digitally confident consumers. It would also enable scalable and user-friendly distribution mechanisms such as mobile apps. While not directly related to PEPP, EIOPA's 2025 Eurobarometer survey finds that 24 % of consumers reported purchasing insurance exclusively online, rising to 30 % among those under 35, highlighting strong appetite for digital solutions of savers for whom it is important to focus on closing the pensions gap.

[48] N.B. The possibility for sales without advice of the PEPP by insurance intermediaries under the IDD would be currently restricted by the fact that it is not allowed unless a Member State explicitly derogates to allow execution-only business in their Member State.
[49] For example, there is a 'Knowledge and Experience' test in the Netherlands (Link).

The replacement of mandatory advice with a simplified advice regime for the standard PEPP option should be accompanied by certain conditions:

- The EuroPension product should be standardised in terms of investment strategy and costs. This would ensure that the product remains broadly suitable for the general public, reducing the need for advice.
- Capital protection, if any, should also be aligned with the target market's needs and objectives.
- Continue the practice of providing the PEPP KID presenting costs, risk, expected returns and pay-out structures before conclusion of the contract. Moreover, whether the product offered has the EuroPension label could be more prominently shown in the KID.
- PEPP providers must continue to fulfil their responsibilities under POG by identifying the target market and assess product performance.
- Key product features should be supervised in a consistent manner across providers and Member States (see Section 2.6.) so as to ensure products overall fit for a broad target market.

2.4.2. PEPP in digital distribution platforms

'EuroPension' products available with a simplified distribution process, could be positioned more effectively on digital distribution platforms and workplace savings platforms. To support or facilitate its distribution through digital platforms, several key features would be beneficial. These features should ensure accessibility, clarity, compliance, and consumer protection, while maintaining the expected simplicity.

A streamlined and intuitive onboarding process is essential as a frictionless user journey would lead to higher engagement from PEPP savers and to a broad uptake of EuroPension products. This could include, looking further ahead:

- Standardised and User-Friendly Digital Interfaces
  - Simple onboarding with clear step-by-step guidance for PEPP contract conclusion;
  - Low number of input fields and of clicks to enable a user-friendly contract conclusion;
  - Mobile compatibility: Optimized for smartphones and tablets to enable an exclusively digital PEPP offer, which consumers could set up and access online from anywhere. This should include information on key product features and fiscal implications.
- Digital Identification and Onboarding
  - eIDAS-compliant electronic identification and e-signature support to enable fully digital onboarding and contract finalisation;
  - Online e-identification tools should be made available to consumers (backed by anti-money laundering legislation which considers digitalisation), potentially via platforms.
- Real-Time Customer Support
  - Live chat or chatbot support for technical or procedural help;

  - FAQs and knowledge base covering EuroPension, its rules, and digital usage.
- Dashboard and Tracking Tools
  - Simple dashboard showing contributions, investment growth, and withdrawal options;
  - Alerts and notifications for payments, policy changes or milestones.

2.4.3. Distribution of PEPP by licensed distributors

EIOPA is aware that certain stakeholders have raised concerns regarding potential inconsistencies between the distribution rules applicable to PEPPs and those applicable to registered insurance intermediaries. In particular, the fact that there may be limits at national level on the ability of insurance intermediaries to distribute PEPPs not manufactured by insurance undertakings - Article 10 of the PEPP Regulation - indicates that insurance intermediaries may distribute PEPPs which they have not manufactured without further specification.

Following a survey to NCAs (see the Annex), EIOPA understands that in most Member States insurance intermediaries can distribute PEPPs not manufactured by an insurance undertaking, i.e., that may be manufactured by an asset manager or bank.

As EIOPA worked within a very short timeframe, it was not feasible to make a holistic assessment of this issue and reach a definitive conclusion. EIOPA would therefore invite the EC to consider, based on the following non-exhaustive list of pros and cons, whether it is beneficial to further clarify the scope of Article 10(2) of the PEPP Regulation so that insurance intermediaries registered under the IDD could distribute PEPPs manufactured by any financial undertaking referred to in Article 6(1) of this Regulation.

Allowing insurance intermediaries to distribute PEPPs manufactured by any financial undertaking could:

- Facilitate wider distribution by insurance intermediaries of PEPPs (subject to those insurance intermediaries possessing the requisite knowledge and competence) on the basis that distribution rules are a "core feature" of the PEPP Regulation to be harmonised and one of the objectives of the PEPP Regulation was to "increase competition between providers on a pan-European basis[50]";
- Potentially enhance uptake of the PEPP, particularly the EuroPension product by PEPP savers, given that an objective of the PEPP Regulation was to "create economies of scale that should benefit savers[51]", but contingent on such a change also enhancing consumer understanding of the product and who it can be sold by; and

[50] Recital 21, PEPP Regulation.
[51] Also, Recital 21, PEPP Regulation.

- Less administrative burden for insurance intermediaries to have to obtain a separate licence under another regulatory framework to sell non-insurance based PEPPs.

However, it is also important to consider possible adverse effects:

- The cost/benefit of such an amendment would need to be assessed given that insurance intermediaries can currently already opt to obtain licences under both IDD and another regulatory framework such as MIFID II and whether such a change would result in significant reduction of administrative burden;
- Training requirements would need to be comparable to those required for financial undertakings under other regulatory frameworks to avoid the risk of creating an unlevel playing field; and
- The potential for the need to reorganise national supervisory frameworks would need to be assessed to accommodate the fact that the scope of the registration for insurance intermediaries to distribute PEPPs would be broader than the traditional registration to carry out an insurance distribution activity under the IDD e.g. regarding training and competence requirements.

2.5. Sub-accounts (Q31)

EIOPA supports removing the mandatory requirement for PEPP providers to offer sub-accounts across multiple Member States and ensuring that PEPP savers can access any PEPP provider regardless of their country of residence. This would simplify operations for PEPP providers, support broader market participation thus achieving scale, and preserve consumer choice without undermining the PEPP's cross-border potential.

To further enhance portability, EIOPA also supports exploring a 28th regime that could offer a more harmonised EU-level framework, facilitate uptake and scale. While not in EIOPA's remit, it is important to note that tax incentives are also key towards ensuring the success of supplementary pensions.

2.5.1. Operational and strategic implications for PEPP providers to offer sub-accounts

Making the cross-border feature of the PEPP optional rather than mandatory can benefit the PEPP by attracting more providers. The current requirement to offer sub-accounts in two or more Member States has proved burdensome for PEPP providers. Setting up and managing sub-accounts across multiple Member States requires navigating different frameworks, often for small early-stage volumes. This complexity is especially challenging for providers without existing cross-border infrastructure. The result is significant operational complexity and cost, and limited scalability. This may deter market entry and innovation, particularly for smaller or digital-first PEPP providers. Allowing PEPP providers to voluntarily offer national sub-accounts for a given PEPP, rather than

making it compulsory would reduce the administrative burden and could attract more providers. This would, in effect, make the cross-border feature of the PEPP optional.

This simplification could also help the PEPP contribute more effectively to the SIU ambition to increase pension accrual in the EU. In particular, in Member States with less developed pension systems, an accessible, individual and low-cost pension product can play a key role in expanding coverage. By allowing providers to start with a PEPP in one Member State, entry barriers are lowered and uptake is stimulated. As participation grows, providers may naturally expand cross-border, supporting the long-term portability and EU-wide availability envisioned in the PEPP framework.

2.5.2. Implications for PEPP savers

The multi–Member State sub-account feature is not necessary for PEPP savers with no particular plans to go abroad over the course of their career. Considering exclusively the market for mobile workers reduces the potential PEPP market to 3.8% (approx. 10.1 million) of EU citizens of working age (20-64) residing in a Member State other than that of their citizenship[52]. For the vast majority of European pension savers, whose country of work and residence is the same, starting a PEPP with a single account in that country would be sufficient.

The PEPP allows PEPP savers to keep contributing to the previous PEPP after changing residence. Enabling transfers between PEPP providers and across borders, without multiple sub-accounts would support mobility and reduce complexity. Currently, PEPP providers must offer national sub-accounts for two Member States upon request by a PEPP saver, not for all or for a large number of Member States. This can effectively limit cross-border transferability if those sub-accounts do not match the saver's new country.

2.5.3. Cross-border provision of PEPP

The PEPP Regulation is designed to facilitate cross-border provision of PEPPs, allowing for a "passport" that enables PEPP providers to offer PEPPs across the EU[53]. PEPP providers must ensure that the product is registered with EIOPA and that it has notified the home supervisor of its intention to distribute the PEPP in another Member State. The EU dimension of the PEPP can be developed not only at the level of the provider, through the possibilities for its cross-border activity, but also at the level of the PEPP saver, through the portability of the PEPP and the switching service, thereby contributing to the safeguarding of personal pension rights of persons exercising their right to free movement under Articles 21 and 45 TFEU.

[52] European Commission: Directorate-General for Employment, Social Affairs and Inclusion, Gasperini, M., Cinova, D., Petracco, C., Truc, M. et al., *Annual report on intra-EU labour mobility – 2024 edition*, Publications Office of the European Union, 2025, Link.

[53] Under the freedom to provide services and freedom of establishment, PEPP providers can provide, and PEPP distributors can distribute, PEPPs within the territory of a host Member State, provided they do so in compliance with the relevant rules and procedures established by or under the Union law applicable to them.

2.5.4. Cross-border access to PEPPs

The PEPP Regulation does not prohibit a PEPP provider in one Member State from accepting a customer residing in another Member State, but it lacks clarity on universal access. It does not explicitly ensure that PEPP savers can access a PEPP from any provider regardless of their residence nor that PEPP providers must accept customers from all Member States. This, even if it allows for portability of PEPP accounts across Member States and for the continuation of contributions to the same sub-account after the PEPP saver changes residence (Article 47). A legal distinction exists between continuing contributions after moving to another Member State (Article 18(6)) and initially subscribing cross border.

Although not in EIOPA's competence, given the importance of fiscal benefits, it is important to note that cross-border PEPP access mainly raises tax challenges that the EC should explore. PEPP savers using providers from another Member State risk losing home country tax advantages. When benefits are paid by a PEPP provider established in one Member State to a PEPP saver residing in another, tax complexities may emerge. This can diminish the overall attractiveness and uptake of the PEPP across border.

2.5.5. Proposed changes to the PEPP Regulation and PEPP Delegated Regulation

The PEPP Regulation should be amended to remove the mandatory sub-accounts and clearly specify that PEPP savers can subscribe to any PEPP, regardless of residence, without being limited by the availability of sub-accounts or the provider's location. Legal certainty on the possibility of PEPP savers being able to access a PEPP from any PEPP provider, regardless of their Member State of residence would need to be introduced. As a principle, provisions would need to be amended to:

- Clarify that PEPPs are fully portable not just in terms of sub-accounts, but also in terms of provider choice across the EU;
- Allow PEPP savers to choose any EU-authorised PEPP provider, irrespective of their Member State of residence;
- Remove potential barriers where PEPP providers may impose residency-based restrictions.

The PEPP Delegated Regulation should be amended to enhance cross-border disclosure in the PEPP Key Information Document (KID). The EC should revise the PEPP KID requirements to ensure savers receive relevant information on taxation, accumulation and decumulation rules for the country they reside in (i.e., layering)[54]. Finally, although taxation is not EIOPA's competence as explained in Section 2.11, granting equal tax benefit is necessary towards achieving the necessary scale. The EC should

[54] Currently, under the section titled 'What are the specific requirements for the sub-account corresponding to [my Member State of residence]?', the PEPP provider explains the accumulation and decumulation conditions set by the saver's Member State of residence.

explore how a PEPP, when registered at EU level and in line with national decumulation requirements, could be granted tax benefits regardless of where the provider is based.

EIOPA supports the removal of sub-accounts as a mandatory feature and the registration of PEPPs in a centralised manner (see section 2.6.). These changes would not fully eliminate some issues in terms of taxation and relevant administrative burden (e.g., need to keep up with different and changing national regimes). While removing sub-accounts would reduce burden, a 28th regime could overcome most constraints for the cross-border provision of personal pensions, without impacting existing national regimes (see section 2.9. on the 28th regime).

2.6. Supervision and registration (Q34)

Although supervision and registration have not been identified as a major barrier to the offering of PEPP, EIOPA notes some issues have emerged with the effectiveness of the registration process. Some providers have also reported challenges and obstacles to registration. Different options with advantages and disadvantages could be considered for registration and supervision. In particular, when analysing and exploring different options, some key elements should be taken into account:

- The PEPP framework includes some PEPP product design elements at EU level and other aspects relating to national or sectoral requirements (solvency, distribution, decumulation) closely connected to national regimes and Social and Labour Laws;
- The framework should facilitate the registration (if applicable) and supervisory process;
- PEPP supervision should ensure consistent approaches and savers' outcomes;
- PEPP supervision should not add unnecessary complexity.

Different models could be explored which enable the supervision of different PEPP elements to ensure a system which entails as little burden as possible but still provides consistent consumer outcomes and ensures consumer trust, particular for EuroPension. However, it is important to note that, albeit the few PEPPs currently available and the recent nature of the supervisory process, the *status quo* has not only proved burdensome for providers and NCAs, but highlighted the need for further convergence in relation to some requirements requiring further efforts and putting burden on providers and NCAs and also leading to possible disparate outcomes.

2.6.1. The current approach to registration and supervision

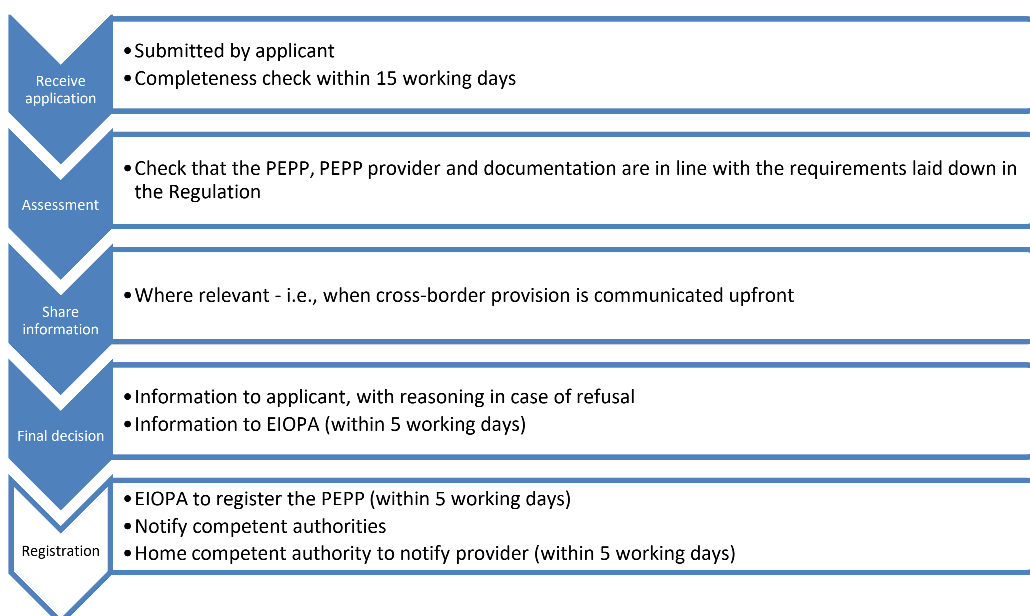
The PEPP Regulation currently envisages a registration process and provides key principles around PEPP supervision with responsibilities for Home and Host Competent Authorities (CAs) as well as EIOPA. In line with the PEPP Regulation[55], CAs' supervisory activities should have, as their prime objective, the protection of the rights of PEPP savers and PEPP beneficiaries and the stability and

[55] Recital 56 – PEPP Regulation.

soundness of PEPP providers. To ensure consistent approaches, EIOPA has a role in the registration process and has been tasked in coordinating the supervision of PEPPs, in order to guarantee the consistent application of a unified supervisory methodology.[56]

The registration process envisages 4 key steps (there is an additional step if the provider decides upfront to offer the PEPP on a cross-border basis), as per Figure 3, with the aim of ensuring compliance with Regulation. The PEPP Regulation specifies that CAs need to assess if the PEPP applicant is eligible to provide PEPPs and if the information submitted for registration complies with the PEPP Regulation.

Figure 3 – PEPP registration process



Beyond registration requirements, the PEPP Regulation also specifies additional requirements and principles. These include:

- The need for Member States to designate CAs to supervise PEPP providers or PEPP distributors. Art. 6(6) of the PEPP Regulation requires that in case there is more than one competent authority for one specific type of eligible provider, the Member State shall determine which one should be the competent authority on PEPP for that specific type of provider;
- Notification for opening sub-accounts and additional notification for the cross-border provision of PEPP if the provider is an AIFM or IORP;
- The need to ensure (Article 61(2) of the PEPP Regulation) that PEPPs are compliant with the requirements included in the Regulation which are mostly related to the product structure and

[56] Recital 73 - PEPP Regulation.

distribution activities – i.e., focus on the product with responsibility for financial soundness remaining with the supervisory authority of the PEPP provider;
- Product intervention powers for Home and Host CAs and EIOPA, as well as de-registration powers for the home CA.

In terms of day-to-day supervision, the PEPP Regulation does not explicitly allocate competences between Home and Host CAs. However, in EIOPA's view, references to sectoral legislation[57] indicate that supervision of rules on information requirements and conduct of business with regard to the services provided within the host territory, lies with the Host CA, while the Home CA retains responsibility for compliance with obligations affecting the business as a whole — such as the rules on professional requirements and the exercise of product oversight and governance (POG) supervisory powers. The Annex provides an overview of the main roles and responsibilities.

2.6.2. Theoretical challenges with the current approach to registration and supervision

- **Although typically registration and supervision are carried out by the same CA in many Member States, in some Member States up to 3 CAs are responsible for PEPP registration and supervision:** although Article 6(6) of the PEPP Regulation requires Member States to designate a CA to supervise PEPP, it allows the possibility to designate different CAs for each of the six provider types (credit institutions, life insurers, IORPs, MiFID investment firms, UCITS investment or management companies, EU AIFM managers). As a result, multiple CAs at national level may be responsible for the registration of PEPPs and communication with EIOPA, leading to possible inconsistencies.
- **Complexity of cross-border supervision of PEPPs CAs:** cross-border supervision of PEPPs can take shape under different scenarios impacting the role of Home and Host CAs. While the PEPP Regulation lays down the principle of 'one provider offers one PEPP', indicating that one PEPP in the manufacturing stage has a maximum of one CA, this is not the case for the distribution of a PEPP, which may have multiple distribution channels in various MS and, therefore, have multiple CAs responsible for its monitoring. The latter will also depend on national sectoral rules on distribution activities which may also be divergent due to the minimum harmonising nature of the IDD, for example. While it is not possible to draw specific conclusions on the supervision of the cross-border provision of PEPPs, EIOPA has experience in cross-border supervisory cases of IBIPs, which have a simpler set-up, so more complexity could lead to further issues. Indeed, EIOPA encountered persistent challenges at both national and EU level, particularly in conducting joint assessments, coordinating interventions, and enforcing supervisory measures – resulting in divergent national approaches and detriment. This was also highlighted by EIOPA in its response to the EC's consultation on the SIU58.

[57] See, for example, recital 22 and Article 7(2) of the IDD.
[58] EIOPA's reply to the European Commission's public consultation on the integration of EU capital markets.

- **EIOPA's intervention powers are ex post, limited and have shown their limits in recent cases:** while EIOPA has some powers to intervene, they are limited in scope and ex post only – meaning that by the time that measures are taken, savers and beneficiaries may have already suffered material detriment, with the risk of damaging trust in the EuroPension label. Moreover, as highlighted by EIOPA in its response to the EC's consultation on the SIU, some of these powers have proved to be ineffective – for example, as they require proof by EIOPA of inaction or insufficient action by the home NCA before EIOPA can intervene itself.

2.6.3. Practical challenges with the current approach to registration and supervision

- **Recent experience with the registration of two PEPPs and the opening sub-accounts in various Member States underscored consistency issues:** despite the detailed rules provided in the Commission Delegated Regulation (EU) 2021/473 on what should be included in the PEPP Key Information Document (KID) and how information should be disclosed, providers and CAs interpret these requirements differently leading to inconsistencies (legislative texts cannot exhaustively prescribe how pre-contractual disclosures should occur). While EIOPA, as part of its monitoring process, ensured convergence and Q&As can also promote convergence, the process has been at times inefficient and burdensome for the providers, CAs and EIOPA.
- **Concerned CAs face challenges in monitoring existing requirements given their novelty and complexity:** the PEPP Regulation introduced *de facto* a framework for product supervision which may be novel for some CAs. Moreover, CAs may have difficulties in ensuring consistency across PEPP products offered in different Member States (a key requirement considering the PEPP portability) as they oversee only – at times only some of their national products. This, in practice, has led to EIOPA engaging with Home and Host CAs as well in carrying out additional activities to support CAs. Although it is fundamental given the nature of PEPP as a pan-European and portable product, achieving the desired level of consistency and comparability among PEPP products and PEPP-related disclosures depends on discussions and significant convergence efforts.
- **Uneven registration and supervision across Member States:** registration and supervision of PEPPs by CAs may be uneven, reflecting different CA capacities and resources on PEPP. As a result, PEPP may be subject to diverging levels of approval requirements, supervisory attention and enforcement across Member States, which risks creating an unlevel playing field.

2.6.4. The importance of adequate registration and supervision

The appropriate PEPP registration process is key to the successful launch of a PEPP, which can be marketed throughout the EEA via passporting. A thorough assessment of the registration of eligible PEPPs, ensures a sound offering of PEPPs, which serve the interests of savers and beneficiaries. This is particularly important if auto-enrolment (see Section 2.8.4.), the removal of the introduction of

simplified advice requirement (see Section 2.4.1.), and the removal of the cost cap (see Section 2.2.) are put in place.

PEPP supervision should be comprehensive and consistent for all PEPPs, aimed at ensuring that PEPPs are designed and distributed in compliance with the requirements laid down in the PEPP Regulation. A fragmented supervisory framework for a rather standardised product can lead to inconsistent outcomes for savers and in significant burden for providers operating in multiple Member States.

However, preliminary anecdotal evidence shows some further thinking of the supervisory process may be required.

2.6.5. Possible options to reform the existing registration process – ex ante vs ex post or no registration

Option 1 - Keeping the status quo (ex-ante): CA receives the application, does the 15 working days (WD) completeness check, carries out the full assessment in 90 days in total, and if positive asks EIOPA to register the PEPP (within 5 WD). While this option ensures that no PEPPs are sold until compliance is ensured, the time-to-market may, at times, be long. Moreover, if PEPP applications grow significantly, it may lead to further delays in their approval and/or significant burden for CAs.

Option 2 – Faster time-to-market for PEPPs (ex-post): CA receives the application and does the 15 WD completeness check after which it asks EIOPA to provisionally register the PEPP. The CA then has 90 days to carry out the full assessment, and, if negative, asks EIOPA to de-register the product. This option allows for faster time-to-market as providers would be allowed to distribute as soon as EIOPA provisionally registers the PEPP, however there is a higher potential for saver detriment as a saver may have subscribed to a PEPP which would be de-registered. The de-registration process may also be burdensome as it would imply communicating with all the distribution channels of a given PEPP and offer remedial measure to affected savers.

Mitigating measures could be put in place such as requiring a refund of total contributions for any PEPP deregistered within 90 days and clearly label provisionally registered PEPPs in the EIOPA register. Despite this, financial market integrity and trust could be impacted. Moreover, while this option allows for faster time-to-market, it also creates uncertainty for providers during the 90 day assessment period. Providers would need to invest in product launch, marketing, and distribution without knowing whether the PEPP will ultimately remain registered, potentially leading to unnecessary costs. If the PEPP is de-registered, early subscribers could lose confidence in the product and in the PEPP label more broadly, even if contributions are refunded. This reputational risk could undermine consumer trust and may also discourage providers from entering the market in the first place. These potential impacts on both supply and demand should be carefully weighed against the benefits of faster market entry.

Option 3 (a) – Faster time-to-market for PEPPs (no registration): This option does not envisage any registration and application process. Providers communicate and share the documentation with the relevant CA. Once it is confirmed the documentation is complete, they can start offering the PEPP. While this regime could lead to faster and simpler offering of PEPPs and also align with the offering of other products like IBIPs, there could be possible issues. In particular, if full VfM and simplified advice were to be opted for, there is a risk of detriment which may become difficult to remedy. EIOPA's experience show that issues for long term products can arise after several years and providing remediation to affected consumers/savers can be complex.

Option 3 (b) – Faster time-to-market for PEPPs variants (registration only for EuroPension): This option would be a mix between Option 1 (for EuroPension) and 3(a) for all PEPP variants. It would ensure some of the risks presented in Option 3(a) would be mitigated as EuroPension, the only variant for which simplified advice is envisaged, would be subjected to *ex ante* registration. This would ensure more safety for the EuroPension label given the need to ensure the label builds confidence and trust.

Overall, EIOPA considers that ex-post registration (option 2), raises particular concerns and, hence, while presented, it should be discarded as it would still include some registration complexities, whilst also raising important issues if a PEPP were to be withdrawn.

Registration would be particularly important for the EuroPension products, which may be sold with simplified advice and potentially in workplace settings. The options outlined in the following section could facilitate this process by limiting possibly the authorities involved especially in cross-border contexts. In fact, registration times can be shortened not only by removing extra steps, but also by shortening the time for assessing PEPPs to less than 90 days and with a more uniform system pre-application could also be considered, facilitating the process and shortening registration.

2.6.6. Considerations on the simplification of the supervisory architecture

Although the registration and supervisory framework for the current PEPP have not been identified as the key barriers to its success, preliminary experience indicates that the PEPP registration and supervisory process may benefit from simplification to reduce burden, ensure convergent approaches, which is particularly important for a pan-European product, and to enable scale. To this extent, different options could be explored – Table 1 summarizes them, while the Annex explains each option in more detail.

Considerations on additional aspects are also provided:

- **It is important to ensure that the supervision of requirements closely connected to national specificities, remains national.** In particular, distribution and decumulation, unless under a 28th regime, where some decumulation rules (i.e., not those relating to SLL) could be subject to uniform standardised EU rules.

- **It is important that any possible revision to the supervisory process focuses on the product element of PEPP** (i.e., prudential supervision should follow sectoral requirements).
- **Enhancing the registration and/or supervisory approach at EU level on limited key aspects which would be standardised by the Regulation can have a number of pros and cons:**
  - This approach would ensure more consistent consumer outcomes as standardised PEPP requirements would be assessed at EU level. For key aspects requiring verification at registration (such as product design requirements) and needed for portability, a single authority would be responsible.
  - Having a single authority may facilitate supervisory exchanges with providers thus enabling scale. It can facilitate capacity building and enable the development of tools to streamline the process and reduce burden.
  - It would also ensure all PEPPs are assessed in the same way, which is key particularly for EuroPension.
  - On the other hand, especially when the PEPP is not offered on a cross-border basis, this approach could lead to significant additional complexities as it would split further the supervisory process and approach as the PEPP regime already splits prudential from product supervision. This could lead to an inefficient process.
  - Similarly, although distribution aspects are not part of the registration process, it may create inefficiencies and supervisory issues as product requirements may be at EU level while all other requirements would not.
  - Accumulation and decumulation requirements are also important so separate product specific assessments from these elements may also lead to some inefficiencies in non-cross-border contexts (in cross-border contexts they are already split).

Taking into account the above, further approaches could be considered, bearing in mind that each approach requires additional analysis:

- Consideration could be given to just having centralised registration – at least for the EuroPension. This approach would ensure consistency across EuroPension products which should be fairly standardised and build confidence. In fact, EIOPA's Eurobarometer identified that consumers have confidence in an EU label as it denotes a product which meets European standards. Centralised registration would ensure consistency without adding split and complexity to the supervisory framework.
- Similarly, consideration could be given to limit registration and/or supervision at EU level to the 28th regime or cross-border PEPPs. This could not only lead to more consistent outcomes, but also to some burden reduction as there would be only one NCA (rather than multiple ones) assessing specific PEPP requirements, avoiding possible divergence. Having said this, some burden would remain as sectoral requirements (distribution, capital requirements) or national requirements (accumulation and decumulation except for the 28th regime where accumulation

and decumulation rules not relating to SLL could be harmonised) would remain – in the case of cross-border PEPPs – not centralised.

Table 1 – Summary of the different supervisory options

<table>
<tr><th colspan="2">Options</th><th>Registration</th><th>Supervision of product design
(POG, VfM, PEPP registration requirement)</th><th>Supervision of decumulation</th><th>Supervision of institution (solvency)</th><th>Supervision of distribution</th></tr>
<tr><td colspan="2">Option 1: status quo</td><td>Decision at national level (EIOPA registers PEPP)</td><td>National</td><td>National</td><td rowspan="17">National</td><td rowspan="17">National</td></tr>
<tr><td colspan="2">Option 2 (a)</td><td>EU</td><td>National
(with EU coordination for cross border PEPPs)</td><td>National</td></tr>
<tr><td rowspan="2">Option 2 (b)</td><td>National PEPPs</td><td>EU</td><td>National</td><td>National</td></tr>
<tr><td>Cross Border PEPPs</td><td>EU</td><td>EU</td><td>National</td></tr>
<tr><td rowspan="2">Option 3</td><td>National PEPPs</td><td>National</td><td>National</td><td>National</td></tr>
<tr><td>Cross Border PEPPs</td><td>EU</td><td>EU</td><td>National</td></tr>
<tr><td rowspan="3">Option 4</td><td>National PEPPs</td><td>National</td><td>National</td><td>National</td></tr>
<tr><td>Cross Border PEPPs</td><td>EU</td><td>EU</td><td>National</td></tr>
<tr><td>28th regime</td><td>EU</td><td>EU</td><td>EU</td></tr>
<tr><td rowspan="3">Option 5 (a)</td><td>National PEPPs</td><td rowspan="3"></td><td>National</td><td>National</td></tr>
<tr><td>Cross Border PEPPs</td><td>EU</td><td>National</td></tr>
<tr><td>EuroPension</td><td>National (unless cross-border)</td><td>National</td></tr>
<tr><td rowspan="3">Option 5 (b)</td><td>National PEPPs</td><td rowspan="2"></td><td>National</td><td>National</td></tr>
<tr><td>Cross Border PEPPs</td><td>EU</td><td>National</td></tr>
<tr><td>EuroPension</td><td>EU</td><td>National (unless cross-border)</td><td>National</td></tr>
</table>

2.7. Transfers (Q38)

2.7.1. Benefits for PEPP savers and PEPP providers

EIOPA believes that allowing the transfer of accumulated amounts from other personal pension products into the PEPP could help achieve mass adoption of the PEPP and improve consumer outcomes by reducing costs for savers and providers:

- For PEPP savers, enabling transfers of accumulated amounts into a PEPP that could be cheaper, simpler, more portable and more transparent and that offer the same tax treatment as other personal pension products in that Member State, could be highly attractive. This could also avoid pension pot fragmentation and encourage consolidation which can ultimately lead to increased participation and retirement income adequacy. PEPP savers would also benefit from more competition which could result in better prices, higher quality, innovation, and greater choice. Pension savers currently investing in expensive and underperforming pension products would gain access to more effective alternatives.
- For pension product providers, the net final impact could go beyond a shift from one product type to another. A single pension product can replace the need for multiple personal pension product types. This can help reach scale and attract more providers who benefit from a single market and from facilitated cross-border distribution. Several personal pension products across the EU have achieved significant uptake or are part of broader efforts to consolidate and modernise private retirement savings.
- For the personal pension market, allowing the transfer of accumulated amounts into the PEPP is a way to spur competition. Greater competition can lead to lower fees, better product quality, and more innovation. This would directly benefit PEPP savers through improved returns and more flexible options. It would also demonstrate that financial integration and the goals of the Single Market serve not just the financial sector, but also savers.

Portability is already a common feature amongst many national products. Many of the reviewed products offer intra-national portability, allowing savers to transfer accumulated assets between providers. Poland's IKE/IKZE, France's PER, Italy's PIP, Austria's Prämienbegünstigte Zukunftsvorsorge, Portugal's PPR, Spain's PPI and Ireland's PRSA permit transfers with capped or no transfer fees, and with time restrictions for some, thereby improving competition and user flexibility. Similarly, pension products in the UK, Australia and New Zealand have strong portability, including outside national borders for the Australian and the New Zealand products.

EIOPA is of the view that the PEPP Regulation should be reviewed to allow specifically for transfer between the PEPP and other personal pension products and some considerations are provided below.

2.7.2. Current obstacles to transfer into the PEPP

At present, only a minority of Member States have introduced national laws allowing transfers from existing pension products to the PEPP. According to EIOPA's Occupational Pensions Stakeholder Group, only 6 Member States[59] allowed transfers from national personal pension products into the PEPP.

[59] Link to the OPSG own initiative Paper.

For PEPP savers and PEPP providers to fully benefit from the transfer into the PEPP, these transfers should not be subject to penalties, discriminatory fees, or additional barriers compared to domestic transfers between other personal pension products. Obstacles go beyond simply granting the PEPP the same tax treatment as national personal pension products. While not in EIOPA's mandate/competence taxation elements should also be considered.

2.7.3. Provisions governing transfers into the PEPP

Transfer rules for moving accumulated amounts from other personal pension products into the PEPP should be consistent across all Member States. EIOPA is of the view that transfer in the PEPP should be explicitly provided for; however, there are also a number of provisions governing national personal pension products from which amounts may be transferred, as well as national tax regimes. Key considerations on changes to the PEPP Regulation are provided below:

- **Scope of transferability**
    - Explicitly grant PEPP savers the right to transfer their accumulated personal pension savings from other pension products into the PEPP;
    - Eligible products should encompass the entire range of personal pension products to achieve mass adoption;
    - Cross-border transfers should be allowed and have the same treatment as domestic transfers to ease the administrative burden for PEPP savers and providers, i.e., avoid a two-step process: first transfer from a personal pension product into a PEPP, and then cross-border into another PEPP.
- **Transfer costs (e.g. exit penalties)**
    - Any transfer costs charged by the receiving PEPP should only be allowed when the contract is concluded as "one-off" costs; additional transfers during the contract should be treated as non-regular contributions and not subject to additional costs and fees;
    - Transfer costs by the transferring entity should reflect actual administrative costs incurred not to discourage or constitute a barrier to transfer pension assets.
- **Transfer execution**
    - Transfers should follow a standardised process, establishing an EU common approach to reduce administrative burden among PEPP providers and protecting PEPP savers;
    - Transfers should not be hindered by arbitrary or excessive conditions, regardless of whether they occur within the same provider offering personal pension products and PEPPs or when the transferring entity does not offer PEPPs;
    - Transfers should be allowed when the contract is concluded and during contract duration with a predefined minimum frequency which can replicate the conditions for modification of the chosen investment option;
    - Transfers should be executed within a maximum processing time (e.g., 30-60 days);

    - The transferring entity shall provide standardised information requested by the receiving PEPP provider.
- **Transparency and disclosure**
    - Any costs tied to the transfer and charged by the receiving PEPP, should be presented under "one-off costs" for signing up to the contract;
    - The receiving PEPP provider should disclose transfer conditions, transfer-related fees and potential consequences before a transfer is executed, including fees or penalties, tax implications, potential loss of benefits (e.g., changes in guarantees) and any investment risks related to the transfer (e.g., market timing risk; out of market risk);
    - Where transferring personal pension products are complex or involve guarantees, PEPP savers should have access to guidance or advice.

While the above should be the general rule, considerations should be given to existing well-established frameworks and the impact on those.

2.8. PEPP allowing employer contributions (Q33)

EIOPA supports allowing employer contributions into the PEPP and offering a 'EuroPension' product as an employee benefit to complement Pillar II systems or supplement it when Pillar II systems are not available, while maintaining it as a personal pension product. EIOPA supports enhancing the existing PEPP framework to develop an integrated product capable of accommodating both individual and employer-sponsored retirement savings within a single regulatory structure without replacing or superseding well-functioning and well-established occupational pension structures and regimes. Creating a separate pan-European occupational pension risks regulatory fragmentation, increased administrative burdens for providers and employers, and confusion for both savers and employers.

EIOPA sees that the PEPP could complement occupational pensions in well-developed markets offering additional retirement income, and the PEPP could work as a supplementary solution in markets or for sectors where occupational pensions are not available. PEPP would remain a personal pension product, thus not impacting SLL systems. This approach preserves PEPP's strengths, avoids market fragmentation by creating a separate occupational PEPP and encourages employer involvement. This "hybrid" model aims to balance flexibility with regulatory simplicity, facilitating wider adoption of the PEPP in the workplace while minimising disruption to the current framework. Implementing this approach would require modest amendments to the existing PEPP Regulation. In contexts where occupational pensions are not developed, employers could decide to contribute to PEPP for savers and auto-enrol them.

2.8.1. Rationale for opening the PEPP to workplace contributions

A single and adaptable framework serves diverse savers' needs, encourages broader adoption, and alignment with the EU's objectives for retirement adequacy and capital markets integration.

Scale and market development

The PEPP market could grow substantially by combining employer-sponsored pensions and personal pensions into a single product structure in Member States where there is no 2nd Pillar pension or as an add-on benefit offered by employers when there is 2nd Pillar pension. This would help attract more providers, stimulate competition, and expand consumer choice.

This approach has proved effective in various jurisdictions, where integrated pension products have driven broader market adoption:

- **France**: The Plan d'Épargne Retraite (PER) combines personal and occupational pension provisions; the PER was launched in 2019 and by end 2023 the PER had exceeded EUR 100 bn in assets and over 10 million participants;
- **Italy:** Albeit primarily a personal product, the Piano Individuale Pensionistico (PIP) allows employers to contribute to the PIP chosen by the employee; it has just under 4 million participants;
- **Germany:** Employers' contributions to a Riester pension scheme are limited; they are possible only if the Riester scheme is set up through employer facilitated contracts; 16 million users have opened a Riester pension scheme;
- **Ireland:** The Personal Retirement Savings Account (PRSA) allows both for individual and employers' contributions and can be used in as a workplace pension; it has 200,000 participants;
- **UK**: Group Personal Pensions (GPPs), although personal pension products, are arranged by employers and negotiated on behalf of their employees. Employers contribute directly to the GPP, and the scheme benefits from simplified administration and potentially lower charges.
- **New Zealand:** KiwiSaver accounts combine personal and employer contributions. Usually, employers' contributions represent at least 3% of an employee's gross earnings unless specific conditions apply; KiwiSaver has exceeded 3 million participants;
- **Australia:** Apart from voluntary and personal contributions, employers must contribute to employees' Superannuation funds if they are eligible for "Super Guarantee (SG) Contributions"; about $4 trillion are invested in it and there are 24 million Superannuation accounts;

Cost implications of an integrated PEPP framework

Occupational pension schemes tend to have lower costs than personal pension products[60]. They benefit from economies of scale, lower or no distribution costs, group bargaining power and

[60] EIOPA's 2025 Cost and Past Performance Report.

employers bearing part of the costs. A PEPP where employers can make substantial contributions could achieve the scale to replicate these efficiencies, improving long-term value for PEPP savers.

Flexibility of an integrated approach

Products that combine individual and employer-sponsored retirement savings provide the flexibility needed to deal with the different tax treatments, contribution modalities, and legal frameworks applicable to individual and employer contributions across Member States. This flexibility facilitates integration with national tax systems and social benefit structures.

Addressing consumer behaviour

Workplace pensions help overcome behavioural barriers to savings, such as inertia, procrastination, or lack of financial literacy. Occupational pension schemes rely less on individuals remembering to save for their pensions, as contributions are automatically deducted from salaries at a pre-agreed rate, overcoming procrastination. Employer involvement also boosts trust, credibility and engagement and participation through communication and matching contributions[61].

PEPP which would clearly allow employers' contributions could substantially raise visibility and relevance for a broader segment of the population. According to EIOPA's Eurobarometer survey, 76% of Europeans have never heard of the PEPP. Most countries lacked coordinated public campaigns on the PEPP, consumer education initiatives, and media coverage. Offering PEPP as an additional employment benefit and allowing for a flexible regime could ensure broader uptake.

Closing pension gaps through an integrated PEPP

EIOPA considers that integrating employer-sponsored and personal pension elements into a single PEPP would simplify the EU retirement savings landscape and help close persistent pension gaps. All private pensions support this goal, but a combined PEPP framework offers greater potential due to its flexibility, scalability, and reach to underserved groups:

- **Underserved workers:** An integrated PEPP can benefit low-income earners and part-time workers, who often fall below the eligibility thresholds for occupational schemes; young workers with low early-career income or lack of awareness; and self-employed and gig workers, with limited options for structured personal retirement savings. Its standardised, flexible, and pan-European design, and potential for digital distribution make it particularly well-suited to reach underserved or mobile populations.

[61] "Best practices and performance of auto-enrolment mechanisms for pension savings" (Written by LE Europe Ltd November 2021): Link; Auto enrolment has greatly widened access to pension saving", Nest Insight (3rd October 2022): Link; "Communication in DC Pension Plans: An International Perspective", Netspar, Lisa Brüggen, Eduard Ponds, Joyce Augustus, Jenna Barrett, Lars Teichmann, Occasional Paper 2, May 2022: Link; "A guide for employers - Communicating the value of your pension plan", FSRA, Ontario, 13 February 2023: Link.

- **Markets with underdeveloped or fragmented occupational and/or personal pension systems:** In Member States with limited occupational pension systems, the integrated PEPP could extend pension coverage to a broader segment of the workforce. Where personal pensions are not used, not trusted, or offer limited consumer protection the PEPP's standardised features, including EuroPension and clear information disclosures, can build trust and encourage uptake.
- **Small and Medium-sized Enterprises (SMEs):** SMEs often struggle to offer occupational pensions due to high costs, administrative burdens, and lack of expertise. Allowing employer contributions through the PEPP would give SMEs a simple low-cost way to provide retirement benefits without setting up an occupational scheme.

2.8.2. Prioritising employer-driven contributions to PEPP rather than an occupational PEPP

There are two primary approaches for enabling the PEPP to integrate both individual and employer-sponsored retirement savings within a single regulatory framework:

- **Occupational PEPP:** involves the development of a bespoke occupational PEPP framework to be integrated in the current PEPP Regulation, allowing tax-efficient employer contributions to the occupational compartment of the PEPP. EIOPA does not prioritise this option as it would change the personal pension nature of the PEPP.
- **Employer contributions to PEPP while maintaining its personal pension nature (Workplace PEPP):** involves explicitly permitting PEPPs' use as an employment benefit, with respect to social, labour, and tax law, and allowing employer contributions to individual PEPP accounts, while maintaining its nature as a personal pension product.

The following outlines the main advantages and disadvantages of each approach:

<table>
<tr><th colspan="2">Occupational PEPP</th></tr>
<tr><th>Advantages</th><th>Disadvantages</th></tr>
<tr><td>• Alignment with occupational pension rules: facilitates consistent governance, risk management, participant protection and supervisory oversight;
• Expanded coverage and scalability: mirrors successful national occupational schemes, to increase coverage, access and uptake;
• Enables auto-enrolment: supports auto-enrolment within employer–employee relationships; can replicate existing EU auto-enrolment frameworks;
• Operational efficiency: Economies of scale for providers reduce costs;
• Institutional and political acceptance: aligns with policy priorities to strengthen workplace-based retirement savings mechanisms.</td><td>• Implementation burden: requires substantial legal and regulatory adjustments at EU and national level;
• Regulatory complexity: may create overlapping supervisory frameworks for personal and occupational compartments; may trigger application of IORP II obligations (e.g. governance, risk-sharing mechanisms, cross-border authorisation);
• Blurred product identity: risks blurring PEPP's identity as a personal and portable product;
• Portability concerns: occupational classification could expose the PEPP to national social and labour law, limiting portability and personal control and ownership.</td></tr>
<tr><th colspan="2">Employer contributions to PEPP while maintaining its personal pension nature (Workplace PEPP)</th></tr>
<tr><th>Advantages</th><th>Disadvantages</th></tr>
</table>

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<td>

- **Preserves the PEPP's personal pension nature**: maintains full cross-border portability, individual control and ownership, and continuity if job changes;
- **Avoids regulatory duplication**: maintains consistency with existing PEPP rules and avoids overlapping supervision or administrative regimes.
- **Minimises regulatory disruption**: avoids triggering IORP II governance requirements; no need to reclassify PEPP or create a new product category;
- **Facilitates implementation (see the Annex)**: needs only minor amendments (e.g. permitting employer contributions, clarifying tax treatment); avoids IORP II complexity; facilitates employer sign up;
- **Reduces market fragmentation**: avoids introducing a second(ary) PEPP framework; maintains a unified consumer-facing product architecture.
- **Supports gradual uptake across the EU:** allows incremental policy progress without requiring full occupational pension reform; particularly suitable for countries with limited or no (mandatory) second-pillar frameworks;
- **Enables optional add-ons:** can incorporate optional features like auto-enrolment or collective investment options – even though questions on the role of the employer as a distributor need to be considered;
- **Can unlock potential of employment-based pension regimes:** if offered to all employees or as an additional pension, it could bring benefits typical of occupational pensions (higher uptake, lower costs, stronger employer bargaining power);
- **Enables free PEPP saver choice:** allows for employer contributions to be made to another PEPP at the request of the employer (opt out option).

</td>
<td>

- **Partial alignment with occupational incentives**: requires legal clarity to ensure employer contributions receive comparable tax and social security treatment to occupational pensions.
- **Limited employer engagement**: employers are only facilitators rather than plan sponsors, which may reduce sense of ownership or commitment to promote the product;
- **Perception risk**: may be seen as less secure or attractive than traditional occupational pensions if not accompanied by clear legal backing and fiscal incentives;
- **Risk of limited uptake**: without mandatory features or collective governance, uptake may depend largely on national incentives and voluntary employer engagement.

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</tr>
<tr>
<td colspan="2">The considerations above on PEPP in a workplace context, consider workers not already having a PEPP. Some of the advantages would be further enhanced with consumers already having a PEPP as it would facilitate portability and continuous contributions in different employment contexts.</td>
</tr>
</table>

EIOPA supports retaining the personal pension nature of the PEPP via an "Employer PEPP" as the preferred approach to facilitating workplace retirement savings rather than setting up segmented occupational PEPP.

2.8.3. Technical changes to open the PEPP to use in a workplace context

If the PEPP is opened to workplace use, minor amendments to the PEPP regulation are needed to balance employer flexibility with consumer protection. The current consumer protection standards of the PEPP should be maintained. Governance and risk management requirements could remain essentially unaltered as PEPP providers are regulated under other sectoral legislation. The following key areas merit close consideration:

- **Investments:** The management of pooled employer and employee contributions should follow the prudent person principle. Given the supervisory regime of the PEPP, safeguards would be in place to ensure assets are managed prudently, reflecting the scheme's specific nature, size, and complexity. This would supplement the existing PEPP prudent person principle, which focuses on the security, quality, liquidity, and profitability of the overall portfolio.
- **Disclosure and communication:** Introduce tailored information obligations reflecting the origin of contributions by i) amending the Pension Benefit Statement, aligning it with IORP II requirements, ii) defining clear communication requirements regarding employer contributions, applicable vesting rules and portability features, iii) giving such communications to savers but also to employers who could monitor how their pooled assets are performing.
- **Distribution:** Depending on the whether and how any auto-enrolment (see next section) option is considered or not, a tailored distribution regime may need to be considered. In fact, if there is no auto-enrolment, the employer could just facilitate the PEPP uptake by signposting it as a possibility but directing employees to relevant PEPP distributors. In auto-enrolment context, some considerations as to how distribution arrangements would work need to be considered.

2.8.4. The PEPP as the default auto-enrolment option

EIOPA supports using EuroPension as a default option for cases of auto-enrolment when there is no Pillar II and an option for employers to opt to auto-enrol employees is envisaged. The PEPP offers a ready-made, consumer-friendly solution that aligns with key principles of simplicity, protection, and portability. Auto-enrolment has been shown to significantly increase coverage in occupational and personal pension plans, particularly among younger, lower-income, and less financially literate groups who are often under-represented in voluntary schemes.[62] By simplifying the decision to save and removing entry barriers, auto-enrolment mechanisms can make pension saving the default choice. Countries like the UK and New Zealand have demonstrated that well-designed auto-enrolment mechanisms can significantly boost participation and savings rates among employees enrolled by default, making them an effective tool for narrowing pension gaps (see also section 3.1. for more detail on auto-enrolment systems).

Relevance of auto-enrolment for personal pension plans

Although auto-enrolment has been primarily observed in occupational schemes, it can be relevant to personal pension plans too, such as EuroPension. As the report on best practices and performance of auto-enrolment mechanisms for pension savings points out:

- **Auto-enrolment applied to personal pensions is less common but feasible:** while most existing auto-enrolment schemes are occupational, the study framework and analysis do not rule out

[62] Best practices and performance of auto-enrolment mechanisms for pension savings, Final Report, November 2021; available at: Link.

auto-enrolment for personal pensions. The report highlights the importance of scheme design, coverage, and distribution and contribution models in any auto-enrolment application;

- **Auto-enrolment schemes may include personal pensions:** Alongside trust-based occupational schemes, group personal pensions (i.e., contract-based DC pensions managed by life insurers) also constitute qualifying schemes for auto-enrolment which UK employers may choose to discharge their legal duty.

Initial considerations on when and how to implement auto-enrolment within a PEPP framework which allows for employer contributions

The EuroPension combines regulatory safeguards, cross-border portability, and ease of use, making it an ideal, ready-made solution to serve as the default option for auto-enrolment systems.

Like the EuroPension, auto-enrolment relies on default settings which can reduce decision complexity and can minimise administrative burden. Key to the functioning of an auto-enrolment system into occupational pension schemes is the design of the default option, which should offer the highest possible value for money to the average PEPP saver. Indeed, a vast majority of auto-enrolled workers in occupational pensions remain with the default option, even where other options are available[63]. Many key features needed for auto-enrolment are already built into the PEPP framework:

- **Strong consumer protection standards:** the EuroPension is subject to strict EU-wide consumer protection rules, clear disclosures and simple and understandable investment options; these safeguards are especially important in auto-enrolment systems, where many savers remain in the default option without making active choices;
- **Simplicity and accessibility:** the EuroPension option is a standardised and easy-to-understand product; it can align with the needs of auto-enrolled EuroPension savers who may be disengaged or financially inexperienced, reducing inertia;
- **Portability:** one of the PEPP's key features is its portability, including cross-border (even though the considerations made in Section 2.5 on sub-accounts need to be taken into account); as a default option, this ensures continuity of savings even if EuroPension savers change jobs across borders;
- **Infrastructure in place:** the PEPP framework already includes common rules, authorisation processes and supervisory coordination; using EuroPension as the default option avoids the need to develop new structures and ensures consistency across Member States.

[63] Pensions Outlook" & "Pension Markets in Focus – OECD (2023); in countries with automatic enrolment (e.g. UK, Sweden, New Zealand, US), over 90% of members remain in the default fund.

While the above presents some preliminary considerations on how to technically implement auto-enrolment for EuroPension, it is important that the PEPP maintains its personal pension nature and that it does not conflict with existing Pillar 2 systems. Hence, this is explored further, where the following principles should be considered:

- Auto-enrolment for PEPP should not apply in cases where there are existing and well-established Pillar 2 systems. In these cases, PEPP would only be offered as a complementary additional benefit;
- Considering the portability of the PEPP and the fact that the PEPP can facilitate uptake especially for more vulnerable and traditionally under-served consumers, Member States may opt to allow for auto-enrolment in EuroPension for consumers non adequately served by Pillar 2 systems (e.g., gig workers) rather than this being mandated;
- In Member States where a comprehensive Pillar 2 system is not well established, instead of having a nationwide auto-enrolment system, it could be considered to allow individual companies to auto-enrol their employees in EuroPension.

2.8.5. Technical changes to make the default PEPP option suitable for auto-enrolment

Technical changes should align with the core principles that auto-enrolment frameworks typically follow and take into account the above limitations. The PEPP Regulation, especially the current default PEPP option, provides a strong foundation but was not designed for auto-enrolment. Implementing such system requires targeted amendments reflecting core principles aimed at safeguarding savers, delivering value for money, and supporting long-term retirement adequacy. The Annex details the necessary regulatory changes to make the default PEPP option suitable as the default auto-enrolment option.

2.9. A 28th regime in the EU for EuroPension (Q23)

EIOPA proposes establishing a 28th regime, which would be an EU-level harmonised legal framework for PEPPs that co-exists with national rules, without overriding them, and which could accommodate a workplace PEPP. In particular, the 28th would be on an opt-in basis for Member States with well-established Pillar 2 systems and in other Member States it would only apply – with an opt-out option – to specific strategic sectors around which competitiveness is required. Similarly, although taxation and SLL are important, in this paper consideration on taxation and SLL are excluded. This framework would eliminate the need for sub-accounts by allowing a single product to operate consistently across all Member States. Such regime could govern investment strategy, supervision as well as some aspects (not relating to SLL) of accumulation and decumulation. This framework could also accommodate a workplace PEPP, enabling employers to offer a consistent pension solution to employees across borders, reducing complexity while enhancing access and adequacy, especially in Member States with undeveloped occupational

pensions. This approach could reduce significant administrative burden and costs for companies operating across multiple Member States. Although the IORP II Directive clarifies the scope of prudential law in the context of cross-border business issues, ambiguity with SLL, as highlighted in the 2023 EIOPA Advice, and further clarification may not be a game-changer for improving cross-border activities, given that SLL has prudential implications, as noted in Appendix 2 of Decision on NCAs' cross-border collaboration with respect to IORP II (EIOPA-18/320)[64].

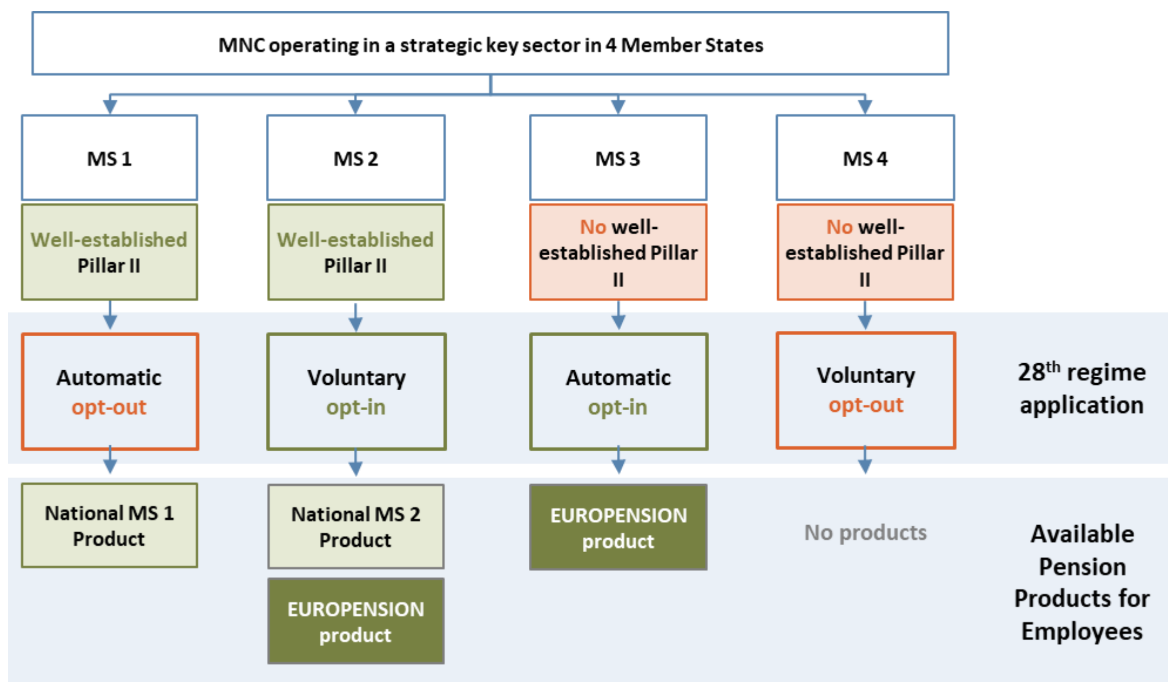
This regime could have the following main characteristics:

a) **Complementary to existing supplementary pensions:** A 28th regime would be designed to complement and not substitute or displace existing pension provisions. It is meant to address pension gaps and improve retirement income adequacy. In practice, the 28th regime would not apply to Member States with existing and well-functioning occupational pensions systems. In these Member States the 28th regime would apply only on an opt-in basis. These Member States may decide to opt-in to target sectors which may not be covered by existing Pillar 2 systems. The regime would be targeted at filling gaps in pension coverage, particularly in Member States or sectors where supplementary pensions are underdeveloped or inaccessible and for which it makes sense from a competitiveness perspective to have a 28th regime.
b) **Simple, streamlined, and cost-effective:** As it is a PEPP that is allowing employer contributions, the 28th regime would be based on EuroPension designed to be simple, streamlined, and cost-effective, making it easier for both employers and employees to participate.
c) **Potential targeted support for key strategic sectors:** A 28th regime could provide targeted support for key strategic sectors (e.g. energy), to attract and retain talent and skilled workers. It could also be targeted to multi-national companies, thus facilitating their operations and limiting administrative burden to enable competitiveness for EU enterprises as they would need to comply only with one regime.
d) **Inclusive and accessible:** A 28th regime would be designed to be accessible for all categories of prospective members, including the self-employed and other non-traditional workers who may currently have limited access to pension coverage.

For Members where the 28th regime would apply on an opt out rather than opt-in basis, although an initial transfer ban can be one example of mitigation measures to avoid competing with established national frameworks, this should be limited in time and scope, as the goal is to increase retirement adequacy and limit or diminish individual pension pot fragmentation. Consequently, transfers in/out and consolidation with other occupational and personal pensions pots should be considered and allowed.

[64] EIOPA (2018) Decision on the collaboration of the competent authorities with regard to the application of the IORP II Directive.

Figure 4 – Example of how the 28th regime for Workplace PEPP could apply to a multinational operating across different Member States



Supervision in a 28th regime workplace PEPP should in this case be done solely at EU level – see section 2.6.

Some of the key advantages of this framework would be:

- **Harmonised EU framework:** uniform rules for investment and supervision and some aspects - not relating to SLL - of accumulation and decumulation;
- **Cross-border portability:** one pension product for PEPP savers moving in the EU, without fragmentation of pension pots;
- **Simplified offering:** eliminates sub-accounts; reduces complexity and costs for PEPP providers also benefiting PEPP savers;
- **Market integration and competition:** enables scalable, digital distribution and new PEPP providers across the EU;
- **Supporting competitiveness of EU enterprises:** by reducing the administrative burden companies operating in multiple Member States could enhance their competitiveness globally.

While the EU does not have a mandate on taxation, consideration could be given as to how a 28th regime could also facilitate possible issues with taxation.

2.10. Transparency

2.10.1. Improving information in the decumulation phase

Consistent with the recommendations above in section 1.6 concerning IORPs, the PEPP Regulation should further specify the disclosure requirements for the pre-retirement and decumulation phases to guide and support PEPP savers' decisions, which are critical to achieving financial income security in retirement. As life expectancy increases, there is a need to deliver well designed payout phases that consider longevity risk. While the PEPP Regulation provides that specific information needs to be provided during the pre-retirement phase and annually during the decumulation phase, the current provisions are not equivalent to those regarding the PEPP KID and Benefit Statement, for which there are more detailed requirements and associated empowerments. For instance, regarding Article 38(2), it would be relevant to specify which information within the PEPP Benefit Statement should continue to be provided during the decumulation phase, such as ongoing investment performance, fees and charges, possibility to review the decumulation option where applicable, etc.[65].

2.10.2. PEPP KID Review – Summary Risk Indicators and Cost Caps and Disclosures

Considering the SIU's objective to channel greater private capital into productive, long-term investments, the SRI could be refined to introduce greater consistency across EU disclosures and comparability across products. The PEPP KID's current risk score methodology relies on a four-level Summary Risk Indicator (SRI) calibrated primarily to volatility and market risk. The SRI score could be refined to introduce greater consistency across similar products by expanding from four to seven risk levels (e.g. PRIIPs KID SRI), allowing for better differentiation, particularly among medium to high-risk investments, which are currently grouped in risk level 4 out of 4 under the PEPP KID SRI, whereas these same investments could fall under level 5, 6 or 7 out of 7 in the PRIIPs KID SRI. This would also allow well-diversified equity investments, which are currently placed in the highest risk category under the PEPP KID SRI, to not necessarily be classified in the highest risk category. These enhancements would give savers clear information about the PEPP's risk profile, support better matching of risk between product and saver. Aligning the PEPP SRI with the one in the PRIIPs KID, would also allow for some equities investments not to be automatically classified as high risk.

Depending on the approach to be taken to ensure PEPPs are cost efficient, considerations should be given to review the PEPP requirements to ensure clarity on what costs may be covered by any eventual cap. Even though, the PEPP KID already provides for a comprehensive cost indicator, if only certain costs were to be capped this should be clearly reflected in the PEPP KID.

[65] See section 1.6 for a more detailed explanation of the information relevant leading up to and during the decumulation phase for IORPs, which is also considered relevant for PEPPs.

2.11. Level playing field: PEPP and national pension products (Q36)

EIOPA is of the opinion that is important to allow for a level playing field between the PEPP and other products. To do so, EIOPA analysed the features of 11 national pension products of Member States, as well as 3 national pension products from outside of the EU. EIOPA integrated across the different sections of this advice the key features found in these products that have contributed to their success and which are currently underdeveloped or missing in the PEPP framework. Moreover, a summary table of these features is also available in the Annex.

It is important to note that PEPP and national products are often compatible. In particular, EIOPA's proposal for the EuroPension label would allow national products to apply for the label. The EuroPension label would coexist with national products. The aim for EuroPension is to facilitate uptake and facilitate scale for those national pension products whose providers may want to operate in a cross-border manner.

Although not in EIOPA's competence, one key element which helped the success of these products are tax incentives. Nearly all national products offer favourable tax treatment, either through tax deductibility, tax deferral, or matching.

The PEPP Regulation does not establish a common EU-level tax treatment. The EC issued a non-binding Recommendation on the tax treatment of PEPPs, encouraging MS to align the PEPP's tax treatment with comparable national products, but this has not been implemented in practice. Coordinated fiscal incentives would significantly enhance the attractiveness and uptake of the PEPP.

2.12. Retirement income strategies (Q40)

Considering that EuroPension's aim is to fill pension gaps, the EC should consider including retirement income strategies – with a default option. This would ensure that accumulation (lifecycle strategies) and decumulation (retirement income strategies) are in tune to support optimal decision-making and future retirement income security – as well as addressing biases this would also considerably extend savers' time horizon and investment opportunities for PEPP savers to continue benefiting from in the pre- and early retirement phase (e.g. for instance to deal with inflation risk if they do not need to withdraw fully their pensions at retirement) – this in turn can further contribute to SIU objectives. In making these considerations, the EC should also consider the importance of advice in the pre-retirement phase and have mandatory advice in this phase, rather than in the PEPP purchase phase. The EC should also consider the significant value annuitisation, when well-designed, can offer to consumers. EIOPA will be carrying further work on this next year.

3. IMPROVING COVERAGE THROUGH AUTO-ENROLMENT AND DEVELOPING PENSION TRANSPARENCY TOOLS

3.1. Using auto-enrolment in IORP II occupational pensions and workplace PEPP (Q41)

Published by the European Commission in 2021, the "Best practices and performance of auto-enrolment mechanisms for pension savings" report highlights the beneficial impact of auto-enrolment, as well as its potential issues supported by examples.

EIOPA supports pension adequacy for retirees and the reduction in the pension gaps through the role of supplementary pensions within a multi-pillar system. They represent an additional resource to the state support, benefiting from employer/personal contributions. Where mandatory participation is not feasible, auto-enrolment in occupational pensions or PEPP in the workplace could significantly contribute to addressing the issues of coverage and participation and inherently scale. From existing practices and challenges encountered by countries having introduced auto-enrolment, some factors that contribute to its success include but are not limited to:

- Raising public awareness and pension literacy for building trust,
- Deciding on the timing of its introduction in a contextual setting,
- The actual design of the scheme (making effective use of inertia; introducing auto-enrolment with plenty of notice and in a phased manner; considering external incentives; having appropriate default investment/decumulation strategies[66]).

EIOPA puts an important accent on the proper design of occupational DC pensions and even more so where participation is mandatory or through auto-enrolment systems. Supplementary pensions used in auto-enrolment systems should be designed in such a way as to diversify risks across the second and third pillar as part of a multi-pillar approach (see also sections 1.2 and 2.8).

A successful auto-enrolment system should focus on removing barriers and creating trust. Key features include:

- Start early: contributions should begin at a young age to benefit from long-term compounding. It does not have to start with large amounts, starting small and starting early is key.

[66] Careful consideration on the design of default option set in the law to ensure employees are not left with suboptimal positions (e.g. default with investment guarantees).

- Keep it simple: the system should minimise unnecessary complexity and offer clear, well-designed default options that are suitable for most participants. At the same time, it is essential that pension providers support members in making informed decisions when they are offered a choice, and that members are enabled to make choices that reflect their preferences, financial goals, or personal circumstances.
- Make it the norm: automatic enrolment, with an opt-out option leverages behavioural insights and ensures broad participation.
- Build trust: stability, clarity, and transparency are essential, safeguarded by strong supervision.

As auto-enrolment systems should facilitate the scaling up of IORPs, it is important to review and ensure strong supervision as it is essential for public trust and confidence. To contribute toward both scale and pensions – having in mind the contributing factors to scale and pension adequacy (see also section 1.2), auto-enrolment systems should feature:

- Mandatory contributions from both employers and employees – a phased implementation of contribution increase can be considered.
- Facility for employees to opt out, preferably with a time limit (people can still stop contributing beyond an opt-out window – too long an opt-out window could prevent pension funds from investing contributions and taking a long-term perspective).

Another consideration is on whom to place the legal duty and pension scheme choice. In the UK auto-enrolment is a legal duty placed on the employer who is responsible for the scheme choice (subject to qualifying criteria set in law). An alternative model consists of establishing a public body responsible for managing the auto-enrolment process. The introduction of auto-enrolment also requires a review of the regulatory and supervisory framework, for instance to assign additional powers to the relevant NCA to enforce sponsor compliance with auto-enrolment requirements and stricter governance and risk management rules for schemes used for auto-enrolment. Other considerations include the implications and impact of the auto-enrolment system on the level playing field.

Existing legislation enabling sponsors (on an individual or collective/sector basis) to use auto-enrolment as a mechanism for coverage may potentially serve as a foundation for introducing legislation on a nationwide auto-enrolment requirement.

Other implications and considerations regarding the introduction of auto-enrolment include but are not limited to:

- Removing any competitive advantage for employers who do not offer a pension.
- Triggering market consolidation.
- Contributing to (cost-)efficiency as well as solidarity and risk pooling when schemes used for auto-enrolment feature risk-sharing mechanisms.

- "Levelling down" and "race to the bottom" if qualifying scheme conditions for auto-enrolment are set "too low" when other occupational pensions exist, e.g. minimum employer contributions for qualifying scheme used for auto-enrolment is set too low, driving sponsors of existing schemes to level down their contributions.

3.2. Fostering the development of Pension Tracking Systems (Q21-22, Q39)

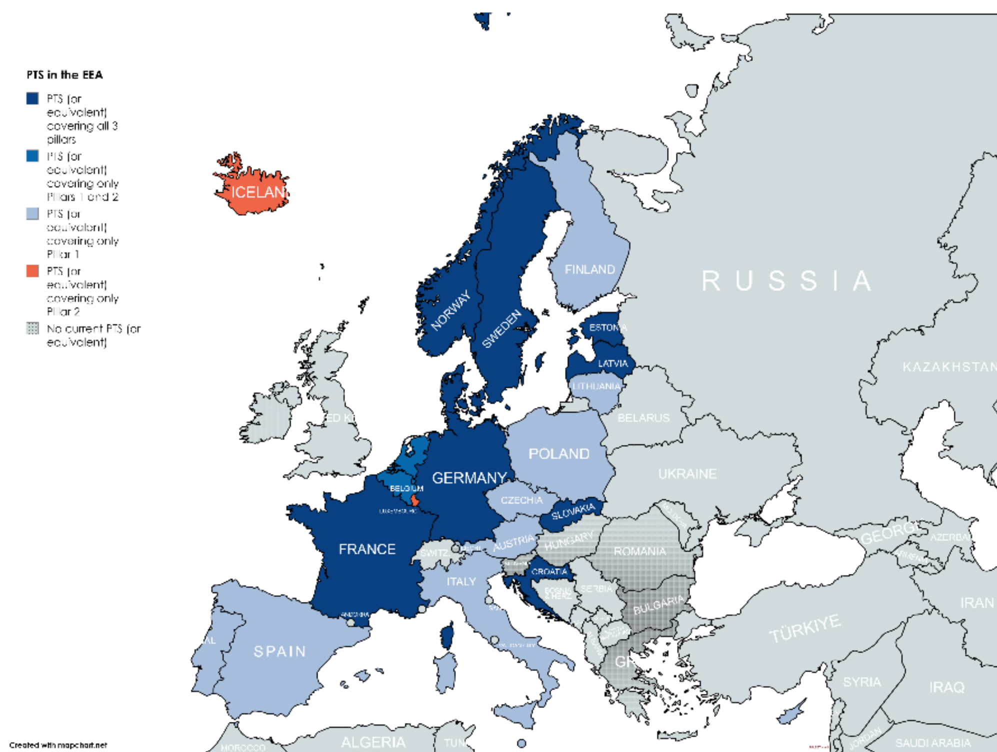
Since EIOPA delivered its Advice to the Commission in 2021, the European Tracking Service (ETS) is being rolled out. The ETS connects data from national pension tracking systems (PTS). After Belgium, France is since last February the second country connected to the ETS.[67]

Four Member States made advances in creating or developing a PTS with 3 Member States (DE, FR, HR) providing information across the three pillars and one Member State (LU) providing pillar 2 information (see figure below):

- Since 2021, France's Union Retraite includes PTS information for Pillar 3 pensions provided by insurance undertakings;
- In 2023 a PTS became operational in Germany named Digital Pensions Overview (Digitale Rentenübersicht) although it excludes small schemes;
- In 2024 a PTS became operational in Croatia (REGOS - Central Register of Insured Persons) for both anonymous or registered participants (the coverage of Pillar 3 is still work in progress);
- Last February, Luxembourg launched a PTS for Pillar 2 pensions to track contributions via government platform MyGuichet.lu.

Figure 5 – Landscape of national pension tracking systems across the EEA

[67] https://www.findyourpension.eu/pension-tracker-coming-soon.



Although Austria initiated a project in 2021 to develop a PTS, the project was suspended and subsequently abandoned due to costs associated with including pillar 1 pensions as well as the potential impact of FIDA.

Proposed way forward

Aligning pension information disclosure requirements across EU frameworks could further facilitate the development of national Pension Tracking Systems (PTS). EIOPA supports the development of PTS to provide EU citizens with a comprehensive overview of all their pension entitlements[68]. Comparability of accrued and projected pension benefit information within and between the second and third pillars is an important precondition for establishing a PTS to help EU citizens have a consolidated view across all three pension pillars (i.e. state, occupational and personal)[69] notwithstanding that the roll-out and scale up of the PTS should be progressive and also consider the technical challenges and different levels of readiness by type of data providers and by type and size of pensions (see Section 4.3 of EIOPA's 2021 Technical Advice on the development of pension tracking systems).

[68] PTS information can also be a useful source of information NCAs can use as part of their conduct and SLL supervision as seen in Belgium.

[69] EIOPA does not have an overview of the pension information applicable to supplementary pension institutions excluded from the scope of the IORP II Directive, as this information is not part of the one collected by EIOPA in current mandate.

In this context, EIOPA is of the view that PTS should include PEPPs to give users a complete view of their pension savings. This takes into account the experiences of Member States with a PTS that such tracking systems can play a major role in providing simple and understandable information to the average citizen about the individual's aggregated pension income, which is a basic requirement for adequate pension communications.

Currently, the lack of harmonised pension information disclosure requirements across Solvency II, IORP II, and PEPP frameworks hinders individuals' ability to compare and understand their total pension entitlements, potentially leading to poor decisions and inadequate retirement savings.

A first step towards encouraging Member States to develop a PTS in line with recommendations that the European Commission will address to relevant Member States[70] would be to harmonise the EU legal framework to facilitate comparability of pension information. This can be achieved by applying the information requirement from the IORP II Directive or – preferably – by introducing horizontal regulation also including insurance undertakings offering occupational pension products and standardising the design and content of information on pension benefits (e.g. Pension Benefit Statement (PBS)) across the IORP II, PEPP, and Solvency II frameworks[71]). Depending on the choice of instrument, grandfathering should be foreseen to safeguard Member States with operational PTS from overhauling existing disclosure requirements that effectively provide for transparency for members and beneficiaries.

Regarding the interaction between the Benefit Statement and PTS, it is important that savers continue to have access to key personalised information for each PEPP or IORP. **However, there can be synergies or potential overlaps in relation to the provision of the information to savers.** Disclosure at the level of each individual pension remains necessary to allow users to see how each pension is performing over time. However, if individual Benefit Statements would be available within a PTS, for example, it may not be necessary for individual providers to separately deliver the statement to the saver or to maintain them on their website. It could also be envisaged that the individual provider would submit the information underlying the Benefit Statement (e.g. on costs charged, annual performance etc.), rather than the Benefit Statement itself, into a tracking system, as will be the case in BE as from 2026. This could enable the saver to view, within the same online system, and in a consistent structure and format, both their overall pension entitlements, as well as more detailed information on the performance of each underlying pension.

In terms of regulatory changes, it is not considered appropriate to prescribe that the full Benefit Statement is incorporated within a PTS for savers who interact via digital tools. However, a PTS should at least provide a link to the website of individual providers, where the Benefit Statement

[71] It is acknowledged that the Retail investment strategy - European Commission already includes proposals to modernise the current provisions on information for policy holders in the Solvency II Directive and move them to IDD.

can be accessed.[72] At the same time, the rules should not prevent the provision of the Benefit Statement, or the information contained within the Benefit Statement, via a PTS. In this case, the tracking system needs to be structured in a way to avoid information overload[73]. It would also be necessary for the annual statements for a particular pension to remain available within the online system during the lifetime of the pension.

3.3. Roadmap to pension dashboards

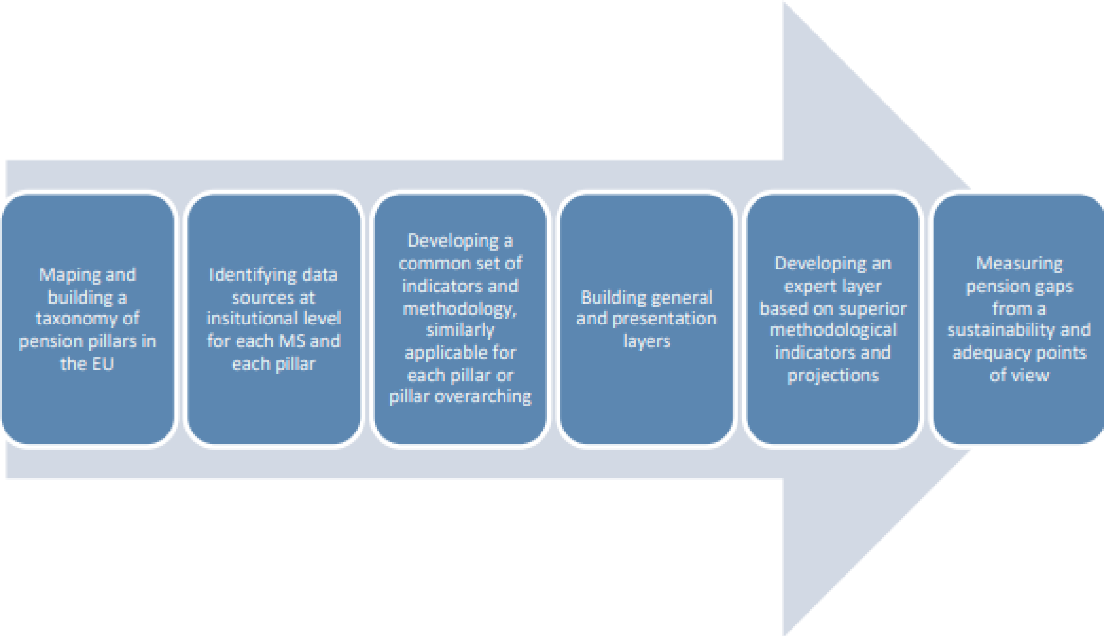
The purpose of pension dashboards is to provide Member States with a comprehensive overview of their pension systems, enabling them to identify gaps and areas for development across the three pillars. EIOPA reiterates its support for the development of pension dashboards which seek to measure and monitor the contribution of each pension pillar toward pension adequacy and sustainability as well as evaluate the effectiveness of pension reforms and fiscal policies. Following submission of the 2021 Advice on national pensions dashboard, EIOPA conducted a short internal feasibility pilot study using publicly available information across a sample of Member States which concluded:

- There is limited added value of only reframing visually the existing publicly available information – this task could be performed by the EC;
- There is a lack of an official EU taxonomy for each pension pillar, necessary for the consistent collection of data and comparability of pension gaps between Member States;
- It is not possible to build a clear picture on an actual pension gap due to the absence of common methodology to measure sustainability and adequacy and due to information unavailability;
- There are important issues with regard to data availability, in a pillar segregated and structured manner, especially for first pillar bis and third pillar pensions.

Bearing in mind the above limitations, the following figure identifies some basic steps with regard to pursuing the implementation of a pension dashboard project.

[72] This was identified as a good practice in the EIOPA Technical Advice on PTS (2021).

[73] As set out in the EIOPA Technical Advice on PTS (2021), in order to be effective, the design of the tracking system needs to build on behavioural insights, in particular the use of layering, whereby the first or top layer of information (or "landing page") covers only the most core or high-level information. Thus, the information contained in the Benefit Statement would be relevant for a subsequent layer of information within a PTS rather than on the landing page. EIOPA's 2023 Advice also recommended the use of layering, including of the PBS.


Maping and building a taxonomy of pension pillars in the EU
Identifying data sources at insitutional level for each MS and each pillar
Developing a common set of indicators and methodology, similarly applicable for each pillar or pillar overarching
Building general and presentation layers
Developing an expert layer based on superior methodological indicators and projections
Measuring pension gaps from a sustainability and adequacy points of view

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