

OPSG

OCCUPATIONAL PENSIONS STAKEHOLDER GROUP

Answer to the EIOPA call for evidence to inform
the development of a DC pensions toolkit

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Detailed response:

TOPIC 1: COVERAGE AND CONTRIBUTIONS

Question 1. What financial incentives (e.g. tax advantages) and non-financial incentives (e.g. auto-enrolment) should the design of the supplementary DC pension system contain to ensure high participation? How can young people be incentivised to save in DC pension systems as early as possible and with sufficient contributions?

Financial incentives are a key component for broad participation in supplementary pensions due to the diversity of pension systems, the design of the incentive structure must be left to the Member States. The too low uptake of supplementary pensions suggest that financial incentives are not sufficient and can lead to tax arbitrage. The common EET tax rule already implies a considerable subsidy. Non-financial incentives such as auto enrolment and good defaults can be more effective but insufficient and then obligation to save for pension could be a policy option.

Tax incentives such as tax-deductible contributions for members and employers and exempt investment returns are essential for occupational pensions as they enable and encourage participation. A stable and predictable legislative and tax framework are key elements, and changes should only apply to future accruals. Where the tax incentive is deductions of contributions paid from taxable income during the accumulation phase, to help young members using the full tax capacity allowed, unused tax-deductible allowance in previous years could be carried forward and used in subsequent years. Another possible solution could be to use direct subsidies instead of deductions from taxable income for a number of years at the beginning of the accumulation. Tax incentives are key to occupational pension plans because sponsors (and members) contribute during the whole career and only are able to benefit from these contributions once the member reaches the retirement age.

Regarding participation from younger people at the beginning of their working lives, most have a modest income and not a high capacity to save. Matching contributions from the employer or the state have the potential of motivating young people (and low-income earners in general) to start saving for retirement. For younger workers, e.g. “early start matching credits” funded by the state during ages 18–25 and micro-contribution rounding mechanisms integrated into payroll apps

could help.

Enrollment and the collection of contributions should be simple. Progress should be regularly demonstrated. Visibility of benefits is important and can be done with visual tools to show compound growth and retirement projections. There are ways to enable pension savings such as allowing very small initial contributions to build a habit. Trusted advice can help as well as promotion of stories of young savers and influencers advocating for early pension saving.

In personal pensions a temporary and/or permanent cessation of contribution payment should not have an impact on the accrual of pension rights. The guarantee that personal contributions may be withdrawn at any time (after paying back the tax incentives which were made use of upon contribution payment), provides an additional “availability” impetus for participation, while recognising that such possibilities should remain exceptional and structured in a way that preserves long-term adequacy. Other restrictions on temporary pauses/withdrawals would be counterproductive for the expected participation rate increase. The more freely one could take money out, the more readily one could pay it in, but withdrawal flexibility should remain limited and carefully defined so as not to undermine the long-term purpose of pension saving.

Due to the long term nature of pension plans not only tax incentives are important but also a stable legislative framework including the rules on taxation are key. The rules on benefit payout (withdrawal) and taxation of benefits should not alter during the career of the individual, and if they change those changes should only apply to accruals link to future service (and future contributions).

Mandatory, quasi-mandatory systems, and auto-enrolment have been successful non-financial incentives to increase participation. In auto-enrolment, inertia has proven to be more effective than active choice to join a supplementary pension scheme. Social dialogue between employer and employees, can represent a valuable tool for increasing participation in supplementary pensions in those countries where occupational pension coverage is underdeveloped, and participation remains largely voluntary. Given the heterogeneity of arrangements, it is difficult to replicate it in some EU countries. However, as overall social-partner governance has been declining in some countries, this may suggest moving toward auto-enrollment or even obligations to save in the future.

Employer-matching contributions and state subsidies for low-income employees

are powerful financial incentives. In Belgium the minimum investment guarantee in DC plans helps employee representatives to establish occupational pensions. This guarantee is provided by the employer. Other incentives could be used such as Start-up bonuses: One-time employer contributions when one opens a pension account or Loyalty bonuses: Additional contributions for consistent saving over time.

Question 2. How can the design of supplementary DC pension systems ensure that contributions are sufficiently high to ensure that DC members receive adequate retirement income?

Sufficient disposable income needed to be able to adequately save for retirement. Adequacy cannot be achieved solely through enrollment mechanisms, as contribution levels in DC schemes are often inadequate. The DC Toolkit on Pensions should emphasise the key role of social partners in the design and governance of supplementary DC pension systems and their active involvement can contribute to ensuring adequate retirement income. When individuals have to determine themselves the contribution to be put into a personal pension those contributions will in most cases be insufficient to accumulate an adequate pension. In addition to contribution levels it is important to allow risk taking also during decumulation phase, designing well diversified asset allocation and proper life-cycle approach, considering that risks are in-line with the preferences of the members.

Occupational pension systems with compulsory affiliation negotiated through social partners have the potential to provide an adequate pension to the members. Hence, the development of supplementary DC pensions should prioritise strengthening the role of social partners, with EU Member States offering targeted incentives to support their active participation and engagement in the design of such pension schemes. Contribution arrangements embedded in collective agreements hold significant promise because they often provide joint financing by employers and employees, helping to establish better contribution levels. In Italy, for instance, the use of the Trattamento di Fine Rapporto (TFR-severance payment) allows for a significant contribution level (about 7% of the monthly wage), and the payment of an individual premium would also trigger the employer contribution. It would be important to develop an institutional communication campaign that allows citizens not only to shade light on the status of their pension accumulation, but also to understand how supplementary pensions work.

It is important to define adequacy at the national level in order to give members clear and tangible savings targets. Simplifying the decision process - for example, by limiting contribution-rate options - can also help nudge toward more sufficient contribution levels. Contribution levels are to be decided at Members State level considering the pension system in question. As an example minimum combined contribution rates of 12–15% of income (employer + employee) can be needed to secure adequate retirement outcomes when first-pillar benefits are modest.

Where this is politically challenging, mandatory employer matching floors and periodic automatic escalators could be introduced. Regulators should require annual adequacy statements showing projected replacement rates and needed adjustments.

In addition, DC pension systems should operate cost-efficiently to achieve adequate retirement income for their members and beneficiaries. This is typically achieved via collective systems, which are characteristic of occupational pensions in many Member States. This applies if the pension funds are set up by the employer and/or social partners based on the paritarian model. As occupational pensions are usually tied to an employment contract, they typically have little to no distribution costs. For this reason, governments need to provide incentives to social partners to allow adequate pensions to be developed.

Question 3. What role should respectively occupational pensions and personal pensions play in the design of supplementary DC pension systems in order to provide a stable and secure retirement income? What should be the role of employers and/or the social partners?

Generally, while statutory pensions should provide a baseline income that guarantees protection against poverty and ensures dignity in old age, occupational pensions should provide income adequacy, enabling individuals to maintain their pre-retirement living standards. Personal pension plans, instead, represent voluntary saving vehicles that would allow individuals to accumulate additional retirement income on top of statutory and occupational pensions, or tackle the issue of retirement income of employees without occupational pensions or self-employed.

Social partners (employers and trade unions) play a key role in strengthening occupational pension frameworks through collective agreements and social dialogue. In particular, employers often provide the majority of pension funding for individuals' contributions and benefits and, together with representatives of employees, co-design benefit structures of occupational pension schemes.

Paritarian institutions, which are jointly managed by employers and employees' representatives on an equal basis, embody the principle of solidarity and shape guarantees offered by the sponsor. Paritarian pension funds can address the pension gap by ensuring better pension coverage and adequacy to EU citizens.

Occupational pensions, particularly those established by employers or by social partners through collective agreements, play an important role in many Member States and offer advantages such as economies of scale, professional governance, and, in many cases, joint financing by employers and employees, which supports adequacy. Collective arrangements ensure that scheme design and investment decisions are taken jointly by social partners and managed in the interests of members and beneficiaries, with risks shared collectively. Occupational pensions remain the most efficient channel due to lower fees.

Occupational pensions organised by social partners have been successful in some (corporatist) countries, but with ongoing societal individualisation and decreasing participation in labour unions suggest a need to explore alternative designs for the future, such as auto-enrolment or mandatory pension saving.

Those who do not have access to adequate occupational pensions or have not accrued them need viable alternatives to save for retirement. Personal pensions can therefore play a crucial role at the broader retirement landscape.

Occupational and personal DC arrangements each operate within diverse national systems, and their advantages depend on national labour markets, tax frameworks, and social policies. For this reason, any future design should respect the local traditions and circumstances in each Member State. In Italy, for instance, the boundaries between the second and third pillars are very blurred, as individuals are free to join either a second- or third-pillar scheme while benefiting from the same tax treatment, contribution conditions, disclosure requirements and pay-out options. Second- and third-pillar schemes are subject to the supervision of the same supervisory authority. Both second- and third-pillar schemes should have the objective of providing members with an adequate retirement income. In this context, the role of the social partners should be to ensure that IORPs are able to provide their members with good level of protection. The social partners also play a prominent role in providing information on the state of pension systems and on the functioning of supplementary pensions.

TOPIC 2: PARTICIPATION AND CONTRIBUTION PERSISTENCY OF SPECIFIC GROUPS

Question 4. How can supplementary DC pensions be designed to encourage pension participation and contribution persistency of specific groups of workers that often do not have access to occupational pensions, particularly the self-employed and workers with non-standard contracts? How can financial and non-financial incentives be adapted to non-standard workers and the self-employed?

Labour market changes, including greater mobility, flexible work patterns, and self-employment, are contributing to the growing relevance of DC schemes. The extent to which personal pension products and occupational pensions schemes have to be designed to fit the needs of non-standard workers and the self-employed is to be decided at the national level, in relation to the adequacy of the 1st pillar social security pensions. It is important to analyze how various rules such as on taxation, disclosure, accumulation and decumulation apply to different types of employment relations and how they may encourage or discourage participation and contribution levels. Also, how statutory and supplementary pensions are linked can in some countries be an

incentive for self-employed as e.g. in Italy the length of the accumulation phase in a second or third pillar can be considered for the purpose of the eligibility for retirement (age requirement).

The active involvement of social partners is crucial for the design of supplementary DC pension schemes that could effectively target groups of employees with non-standard forms of work or those that are employed in specific sectors, such as ICT, and in small companies, where occupational pension coverage is limited. People in temporary jobs with frequent employer changes, e.g. due to project-based work, can be covered in sector-wide schemes established by the social partners. Because these workers often remain within the same industrial sector throughout their career (e.g., construction), they are able to accumulate a single pension pot despite regularly changing employers. Conversely, incentivizing participation among the self-employed presents greater challenges. Targeted financial incentives may be necessary to enhance supplementary pension coverage for this group.

For the self-employed, mandatory auto-enrolment via taxation systems (online portals, VAT interfaces) can ensure coverage. Contribution holidays triggered by income volatility should avoid penalties but require catch-up rules. For gig workers, platform-deducted micro-contributions proportional to hours worked can anchor persistency.

Those who do not have access to occupational pensions require viable alternatives to save for retirement. Good quality personal pension products are needed. Financial and non-financial incentives should be decided at the national level to take into account national specificities.

There is a need to improve product design and improve access to market (transparent cost, include in tracking systems). Also, there could be hybrid products with some flexibility (e.g. free to withdraw contribution during first years) or combine pension saving with disability insurance. Vouchers for personal advice could be useful.

Decumulation frameworks should provide flexibility while including safeguards to prevent individuals from exhausting their savings prematurely.

Question 5. Should there be strategies in place to encourage pension participation and contribution persistency of people of working age, and most notably women, who take a career break or are otherwise inactive (e.g. carers), in unpaid work or unemployed and, if so, what strategies?

The design of DC schemes should be inclusive. Adequacy depends on persistent and adequate contributions and capital returns. Career breaks affect more women than men and thus they need additional solutions which can be financed with solidarity within the pension scheme in some countries or as part of social security pensions in others. These can be actuarially flexible arrangements around birth and contribution holidays to allow for care taking, sabbatical etc. Also, favorable tax treatment can support participation and contribution persistency during

various career breaks.

Occupational pension plans managed by paritarian institutions provide strong solidarity mechanisms that extend protection to pension savers. Such safeguards ensure that pension contributions and entitlements continue being provided during key life events, such as periods of unemployment, inactive or unpaid work. This approach reflects the social purpose of the paritarian model, making sure that pension adequacy is preserved throughout workers' life, including temporary interruptions during employment. Social partners are able to design appropriate and tailor-made solutions, but addressing general inequalities or disadvantages, such as the gender pay gap and the resulting gender pension gap, should be a societal task, which cannot be resolved through occupational pensions alone.

Question 6. Are there other specific groups, such as individuals from ethnic minority backgrounds and those with disabilities at risk of accruing no or insufficient statutory pension rights over their working life and, if so, what strategies could encourage pension participation and contributions persistency in supplementary DC pensions for these people in particular?

The DC scheme design should be inclusive but there are groups which have lower formal labour market participation for various reasons and thus will not accrue sufficient statutory pension rights and can have a high risk of old-age poverty. There is a need to encourage pension participation and saving for retirement within the financial needs possible and these strategies should be focused on income, not on the factors mentioned in this question. For minorities and persons with disabilities, targeted matching (higher state match rates for low-income groups), simplified onboarding via national digital ID and AI-based personalised nudges can be effective.

In some Member States, such as Germany, there is a low-income earners' subsidy for occupational pensions paid by the employers. In occupational pension plans solidarity rules can provide contributions.

TOPIC 3: SCALE AND PORTABILITY

Question 7. Should economies of scale be considered in the design of supplementary DC pensions, most notably to enhance efficiency and raise retirement benefits of DC pension savers? If so, how and through which area(s) of the supplementary DC pension system (or value chain) can its design effectively generate scale? Is there a trade-off between the promotion of scale and competition?

Economies of scale are important for reducing costs, noting that collective occupational DC arrangements, are more cost-efficient because they have lower distribution costs and do not aim

to provide profit for other than scheme members. Bigger scale can enhance efficiency in areas such as asset management, administration, and governance. Smaller providers can compensate through good service providers (outsourcing) or their investment strategy – e.g., by investing via AIF which have the required scale to build a very broadly diversified portfolio.

Economies of scale can be obtained by consolidating investment management into pooled vehicles, without restricting competition at the distribution level. Clearing systems can be centralised at national pension hubs to reduce administrative duplication. Procurement of investment mandates can be collective to reduce fees significantly.

In many countries, occupational pension funds already achieve significant economies of scale in investment management through a variety of approaches, such as the fiduciary management model, collective investment pools for multiple IORPs, and outsourced CIO structure. Generating scale in the design of supplementary DC pensions would not necessarily deliver additional benefits or enhance investment performance. Conversely, excessive consolidation of pension funds could negatively impact on the institutional diversity that forms the cornerstone of the paritarian governance model. Also, consolidation of IORPs ending up in a landscape with relatively few large and systemic relevant IORPs creates a major systemic risk and would damage the occupational pensions landscape.

In Belgium industry wide pension plans provide considerable economies of scale due to the integration with Social Security systems. This allows for a high level of automation and as such extremely low administration costs.

Asset pooling and mandates make it possible to achieve considerable economies of scale. In Italy, for instance, where the AUMs of IORPs is still limited, several asset pooling initiatives have been established to invest in alternative assets. By law, Italian IORPs manage assets through fiduciary managers, selected via a transparent and law-based process. Competition among asset managers contributes to maintaining low fees.

Question 8. Should the design of supplementary DC pensions allow for switching between providers within national systems and, e.g. to facilitate labour mobility across Member States, portability across borders in the EU and, if so, how?

Yes, switching between providers can be an option for some. In Italy, for instance, one can choose between an occupational pension and a personal pension fund and may subsequently transfer to another pension fund, within the regulatory framework established for the exercise of the right to transfer. For this practice to be carried out smoothly and without penalising the transferring members, full comparability of supplementary pension schemes has been ensured. However, There is a general trade-off between maximum portability and the benefits associated with investing with a long-term perspective. Flexibility to switch between providers can be seen as generally positive, but it usually comes at the cost of lower returns.

Cross-border transfers are complex to implement because of the difficulty of comparing different pension arrangements. In principle, however, in the case of DC schemes, cross-border portability would be feasible and should be simpler than in DB pensions as the full funding requirements would not apply. For cross-border mobility, EIOPA could promote a standardised EU “Pension Data Envelope” (harmonised fields, XML format) enabling frictionless portability.

Question 9. How can switching and portability be balanced with the need for long-term investments (e.g. illiquid assets) and the need for scale in supplementary DC pensions? Are there specific considerations on switching and portability within the second pillar, within the third pillar and between the second and third pillars?

The right to transfer pension entitlements to another pension provider (second or third pillar) can be balanced with the long-term investment horizon of a pension scheme and the need of scale by incorporating into its investment models an estimate of the probability of transfer to another pension scheme. Liquidity is a relevant concern, but less so for large pension providers.

The question of who selects the provider is central to supplementary pensions. In occupational pensions, this is typically the employer or the social partner, and in personal pension products, this can be individual or also the employer if employer contributes to personal pensions.

In many countries, members have no choice on the provider or the „product“. EIOPA should differentiate between individual and collective DC, presenting the respective advantages and disadvantages. As explained above, there is a general trade-off between maximum portability and the benefits associated with investing with a long-term perspective. The focus should be on promoting long-term investment, as this often provides better returns.

To protect long-term investment in illiquid assets (infrastructure, private equity), the toolkit could recommend:

- annual transfer windows rather than continuous liquidity
- exit gates protecting liquidity buffers
- ex-post adjustment factors to ensure fair value

Second-pillar schemes with risk-sharing require special safeguards to protect remaining members from “accretive exit risk”.

TOPIC 4: DESIGN OF THE ACCUMULATION AND DECUMULATION PHASE

Question 10. What are the key features that should be covered in the design of the accumulation phase of DC pensions? Should the design prescribe measures, or provide DC members the choice of options, to mitigate investment risk, such as life cycling, guarantees and collective risk-sharing arrangements to smooth returns? Should DC members be provided with choice, i.e. investment options possibly combined with a default option, or will one investment strategy suffice for all members?

National social and labour legislation should set the parameters covering the key features on the design of accumulation and decumulation phases of supplementary pension schemes. These should reflect national labour market specificities, social protection systems, and other national contexts. Within this framework, the design of the accumulation phase of DC pension schemes should be determined by clearly defining objectives for members and beneficiaries. These could include poverty prevention, consumption smoothing, receiving a lump sum at retirement age, or the provision of complementary income in addition to first pillar pensions.

A well-designed default investment strategy is essential, as evidence has shown that most members remain in the default option. The default is typically structured as a life-cycle strategy that gradually de-risks as members approach retirement, helping to manage volatility and sequencing risk. Collective DC arrangements can offer advantages through risk-pooling and cost efficiency. While schemes may offer a limited range of additional investment options for more engaged members, the core default must be robust, appropriately designed, and suitable for the majority who will not make an active investment choice. In the case of many IORPs, the investment strategy is determined in committees with the involvement of members and beneficiaries. In occupational pension plans social and labour law determine the rules and regulations on plan design, rules and regulations that apply to the accumulation and decumulation phase. These take into account the national context.

Individual choices may lead to complexity and higher costs. In certain countries, in the accumulation phase the providers of DC pensions could offer members different options. Choosing between different options may act as an incentive to join the plan. The design should either help assess the individual's risk preferences and capacity and then offer the proper life cycle, or alternatively offer a limited choice in risk profiles (e.g. default - defensive - offensive). In Italy, for instance, supplementary pensions offer various investment options. The underlying level of risk must be determined considering members' retirement needs, also in the light of the first-pillar pension. In addition, in Italy, to help members in choosing the best option, prospective members can answer to a self-assessment questionnaire to identify the option best suited to them. This questionnaire is also available at any time in the restricted area of the pension fund's website and may be answered again over time to assess whether to change investment option.

An increasing number of supplementary pension funds allows members to join in a life-cycle path or in predefined combinations of options. Where no investment option is chosen, members are

by default enrolled in balanced funds or life-cycle strategies. A guarantee is provided for members who join through automatic enrolment; This arrangement can have different cost and return implications depending on its design. Guarantee structures vary across Member States, and their impact depends largely on national choices. Guarantees can support savers who value security while remaining compatible with long-term investment objectives.

Risk mitigation through conditional guarantees (activated only under severe market conditions) can reduce costs relative to hard guarantees. Collective risk-sharing (e.g. conditional indexation) should be considered for longevity and sequence-of-return risk.

The adoption of a life-cycle strategy as the sole default option, no matter the type of membership (voluntary or through AE) could be particularly beneficial. Lifecycle default investment strategies should be mandatory for non-active members. Member choice should be limited to 3–5 options to avoid decision fatigue.

Investment profiles may also be differentiated according to individual ESG preferences. Guarantees in personal pensions may introduce additional protection. Their effects need to be considered in the context of each national framework, without assuming any specific investment model.

Question 11. What are the key elements that should be considered in the design of the decumulation phase of DC pensions? Should the design prescribe a specific payout strategy or should DC members have a choice between different types of pay-out solutions, such as annuities, programmed withdrawals and lump sums, possibly combined with a default strategy? What payout strategies can effectively help DC pension savers secure adequate retirement income? Should DC members be allowed to withdraw pension savings before the retirement age for specific purposes, like buying a house, and, if so, under what conditions?

Adequate designs of the payout phase depend on national circumstances and should therefore be decided at the Member State level. However, due to demographic trends in the EU, we believe that as recommended by the OECD Council, the preferred default option should provide some level of lifetime income, unless other pension arrangements already provide for sufficient lifetime pension payments. In occupational pension plans social and labour law determine the rules and regulations on plan design, rules and regulations that apply to the accumulation and decumulation phase. These take into account the national context.

Flexibility can be offered through partial, deferred, or delayed lifetime income combined with programmed withdrawals. Full lump sums should generally be discouraged except for very low balances or cases of extreme financial hardship. Early withdrawals should be limited only to clearly defined hardship situations, such as severe illness or financial distress. Withdrawing pension savings before the retirement age may result in distorted outcomes, such as overvaluing current objectives and insufficiently considering the importance of accumulating adequate retirement income to preserve current life standards in old age. Early access for purposes like

house buying is strongly discouraged, as it fundamentally undermines the pension's objective and can leave individuals with less or no retirement savings, potentially shifting the burden to social assistance systems. However, it has to be recognized that valid reasons for early withdrawals can be possible and necessary within the social protection structure of a Member State and this needs to be considered.

Question 12. Are there interdependencies that should be considered in the design of the accumulation and decumulation phase? If so, what are these interdependencies and how should they impact on the design of the accumulation and decumulation phase to ensure that DC pension savers secure adequate retirement income?

There are critical interdependencies between the accumulation and decumulation phases in particular concerning management of interest rate risk. This should be geared to the type of pension the scheme is aiming (e.g. nominal fixed, real fixed or variable annuity). Good outcomes depend on how the value built up is ultimately converted into retirement income.

Accumulation and decumulation must be designed consistently: glide paths should target capital stability by retirement age, and benefit projections should assume decumulation strategies that deter excessive front-loading.

In large collectives that characterize occupational pension schemes in some Member States, the integration of the accumulation and decumulation phase can lead to even more efficiency, further risk mitigation, and hence higher benefits. In occupational pension plans social and labour law determine the rules and regulations on plan design, rules and regulations that apply to the accumulation and decumulation phase. These take into account the national context.

Members must receive clear and timely communication well before retirement so they can understand and consider their decumulation options. Both phases should be designed to support sustainable retirement income and that the decumulation stage is very important.

Trust in supplementary DC pension systems is a fundamental prerequisite for the design of both the accumulation and decumulation phases. Given that contributions made by individuals are usually realised only after retirement, trust in the pension system is essential. Therefore, policymakers and governments bear responsibility for ensuring the stability, coherence and credibility of pension policies and taxation framework.

TOPIC 5: VALUE FOR MONEY

Question 13. How can Value for Money be measured and assessed effectively and consistently across supplementary DC pensions and what quantitative and qualitative criteria (or indicators) should be used for assessing value for money, distinguishing between the strategies offered for the accumulation and decumulation phase? How can supervisors create and publish composite benchmarks for DC pension plans on the basis of such criteria to improve transparency and competition?

In order to come up with a meaningful benchmark for Value for Money, one has to compare the entire portfolio of services that an institution offers. We wonder whether this is feasible and reasonable, especially for a supervisory body. Furthermore, we point out that occupational DC pension schemes are not available to everybody- there is no universal access to occupational pension schemes. Comparability is therefore of limited value.

Value for money in DC pension schemes goes beyond focusing solely on low costs. While costs and charges directly affect members' outcomes and must be monitored carefully, an exclusive focus on low fees risks undermining wider value, quality, performance, and service delivery. Collective DC schemes often achieve better value due to economies of scale and their focus on acting in members' best interests.

An assessment of Value for Money in defined contribution (DC) pension schemes should rely on standardized metrics and indexes for costs, returns and risks, as well as an integrated approach that considers both quantitative and qualitative indicators, with a clear distinction between the accumulation and decumulation phases. Fair information on the investment mix and other conditions of the pension are essential and the national supervisor could design a set of stochastic scenario's on investment returns.

Value for Money could be assessed using e.g. a composite Life-Cycle Outcome Metric (LCOM) incorporating:

- net replacement rate projections
- fee impact on final balance
- downside risk exposure
- inflation protection

Supervisors should publish provider-level dashboards comparing net lifetime outcomes, not just fees.

We also highlight the Dutch experience, where transparency of costs has proven effective in controlling administration and asset-management expenses and helping social partners assess whether schemes are cost-effective. At the same time, many countries use fee caps, but these must be set at an appropriate level: if caps are too high, savers may not receive good value; if too low, providers may shift to suboptimal investment strategies or reduce service quality.

The Italian supervisor made a big effort to achieve a standardised measure of costs during the accumulation and decumulation phases. Costs, past performance, benefit projections, and

information on the risk of investment options are part of information to be provided to prospective members, members, and beneficiaries. Particular attention is given to costs: they must be disclosed in a dedicated document (Scheda Costi). The Key investment document at enrolment includes the Scheda Costi and must be submitted to prospective members before they join the plan. The Scheda Costi distinguishes between accumulation and decumulation costs. Moreover, the costs related to the accumulation phase must be grouped into four categories: upfront costs, costs directly borne by members, investment-related costs, and early withdrawal costs. To facilitate cost comparisons and benchmarking, the National Supervisory Authority has introduced the Indicatore Sintetico di Costo (Synthetic Cost Index – Isc). The methodology to calculate the index is uniform for all providers of supplementary pension schemes and measures the impact of all costs during the accumulation phase on the pension entitlements over four different time horizons: 2 years, 5 years, 10 years, and 35 years. The Isc is calculated for each investment option and is shown in both a table and a chart. The chart helps prospective members compare the Isc of the chosen option with the average Isc of similar investment options (in terms of risk and return) available on the market. Online tools provided on the website of the National Competent Authority allow citizens to compare ISCs through the so-called Comparatore dei costi and to access and download the Scheda Costi of all supplementary pension schemes. The Key investment document also contains data on the past performance of the investment options, both on a yearly basis and as aggregated data over the following periods: 3, 5, 10, and 20 years. Performance data are always compared with the corresponding benchmark. Yearly National Competent Authority updates on its website the performances of the investment options. The Key investment document includes a standardized benefit projection, calculated on the basis of the assumptions established by the National Competent Authority.

Overall, value for money requires considering both costs and the broader elements that contribute to good retirement outcomes.

Question 14. Are there any specific scheme design features or innovations that could improve value for money in supplementary DC pensions, distinguishing between occupational and personal DC pensions and the accumulation and decumulation phase?

We believe that collective occupational DC schemes operated by entities which are established by employers and/or social partners, pursue a social goal (paying adequate pensions) and do not operate for their own profit provide the best outcomes to their members and beneficiaries.

Collective DC schemes (such as those in the Netherlands, Denmark, and Germany's social-partner model) are more cost-efficient than individual DC products because they pool investment and biometric risks and are typically run by social partners in members' best interests. Additionally, we emphasize that high transparency of costs, illustrated by the Dutch system, is a powerful tool for controlling fees and enabling effective benchmarking, which in turn enhances overall value for money. A wider use of life cycle during the accumulation phase and a more flexible approach for the payout could enhance value for money in supplementary DC pensions.

Well-designed auto-enrolment mechanisms, if designed in a way to ensure adequate default contribution levels, have the potential to significantly increase participation in supplementary DC pensions and enhance value for money for EU citizens. However, it is essential that any auto-enrolment framework is calibrated to ensure that contribution rates are sufficient to cover meaningful replacement rates, and help deliver adequate and sustainable retirement income to individuals.

Regarding innovations, greater automation within pension administration could drastically reduce the operational and administrative costs of running pension schemes. Significantly cutting these costs could enable pension funds to deliver greater value for money and support more adequate retirement outcomes for their members and beneficiaries. Innovations such as dynamic fee caps tied to net performance, algorithmic rebalancing and use of alternative assets through pooled national platforms can improve outcomes. In decumulation, variable annuities with risk-sharing pools can deliver longevity protection at lower cost.

Question 15. To what extent do governance and oversight models impact on value for money in supplementary DC pensions and overall DC outcomes, distinguishing between occupational and personal DC pensions and the accumulation and decumulation phase?

Governance and oversight models have a significant impact on value for money and overall DC outcomes. Governance models with independent trustee boards, mandatory conflict-of-interest policies and transparent remuneration have measurably higher net returns. In personal pensions, mandatory product governance rules and suitability assessments can prevent high-cost inappropriate sales.

Poor governance such as inadequate management of default funds or unsuitable investment options can lead to inappropriate investment decisions, poor performance, excessive costs, and regulatory breaches, all of which directly undermine value for money.

We highlight that regulatory oversight must avoid imposing excessive compliance burdens, since these costs are ultimately borne by members and can harm value for money (p. 23). We stress that governance quality - both internal scheme governance and external regulatory oversight - is a key determinant of cost efficiency, investment suitability, member protection, and thus final DC outcomes.

As outlined in our response to question 13, the paritarian model of governance ensures that pension funds are inherently structured to act in the best interests of their members and beneficiaries. Paritarian pension funds' boards, which are composed on an equal basis of employers' and trade unions' representatives, apply their fiduciary duty in line with prudent person rule, and adopt investment strategies that are aligned with their members' long-term

investment objectives, in terms of risk-taking and projected retirement income.

As mentioned in our response to question 7, paritarian occupational funds can also benefit from significant economies of scale in investment management. These can be achieved by using fiduciary management models, collective investment pools for multiple IORP, and outsourced CIO structures. Such approaches allow paritarian occupational funds to broadly diversify their investment portfolio, which also includes allocations in alternative assets, and deliver high cost-effective value for money outcomes to their members and beneficiaries.

By way of example, German Occupational Pension Law foresees for Social Partner Models that the parties having negotiated a Social Partner Model must be involved in the steering of its operations. Those stakeholders have a natural interest in keeping costs low and pension outcomes high.

Overall, we note that different social systems reflect the diverse objectives policymakers pursue for workplace pension arrangements and regulators must strike a balance between ensuring appropriate regulation and governance and avoiding rules that place excessive burdens on pension administrators and employers, as such burdens can ultimately harm members and beneficiaries by driving up participation costs. Regulators should also be aware that compliance costs in DC schemes are generally passed on to members, whether directly or indirectly.

TOPIC 6: INFORMATION PROVISION AND TRANSPARENCY

Question 16. What are the main elements on which DC pension savers should be informed before being enrolled in a DC plan and after their enrolment? How can information provision to DC members and beneficiaries benefit from digitalisation and insights from behavioural research?

DC pension savers should receive clear and balanced information both before and after enrollment. If an individual bears all or part of the investment risk, it becomes essential that they understand key elements such as the investment strategy being followed and how the relevant system operates. This applies in particular if and to the extent that options exist. Before joining, individuals must understand what to expect at retirement, the responsibilities involved in achieving their goals, the risks and benefits of adjusting contribution levels, and - where enrolment is voluntary - the risks of not joining and the advantages of participating. After enrollment, members should receive ongoing communication that enables them to track their progress, understand applicable costs and charges, and make informed decisions without being overwhelmed, especially where they do not choose their own investments. As retirement approaches, savers should also be informed about potential decumulation or drawdown options

so they can plan how to use their accumulated savings.

Costs, conditions and expected retirement income are more important than expected investment return and pension funds should communicate retirement income rather than accumulate pension wealth.

Digitalization plays an important role here, as such systems are designed to be much closer to the capital market and should/must provide an up-to-date overview.

Before enrolment, members should receive:

- expected replacement rates at retirement
- contribution adequacy gap (if any)
- projected income variability

After enrolment, annual digital statements should include scenario-based projections.

Behavioural research shows that graphical representations of future income bands increase engagement by 30–50%.

Question 17. How can communication and behavioural insights, and particularly pension tracking systems, support citizens to make informed decisions for their retirement income? Are there other good practices in communications to reach out to people and make them aware of insufficient pension savings?

Clear, balanced, and simple communication is essential to help individuals understand what to expect at retirement and the actions they need to take, noting that ongoing communication enables participants to track their progress toward their goals. Nevertheless, communication and behavioral insights are only potentially relevant when individuals are in a position to make choices which is not always the case. Information overload certainly does not lead to more transparency or increased saving for retirement. Therefore, simplicity and focused messages over time are more effective. Direct advice and choice architecture is more effective than just information. Periodical financial 'check-ups' can be useful.

National tracking systems are a tool that should not only provide general information about retirement options but also raise awareness of the importance of consistent saving and support better decision-making throughout the individual's pension journey. Digital tools like Pension Tracking Systems can play a role in informing members on their accumulation phase but many people still have major difficulties in accessing IT devices and using them and Pension Tracking Systems are not available in all EU Member States.

Pension tracking systems should ideally combine all pension pillars and providers and deliver alerts when defined adequacy thresholds are not met. SMS/email nudges can prompt

contribution increases. Targeted communications in e.g. the last 10 years before retirement could better prepare individuals for longevity and sequencing risk.

Question 18. What practical tools are already in place to understand and identify the drivers and barriers to DC pension adequacy for the design of supplementary DC pensions? What practical tools could be developed to help Member States design and enhance supplementary DC pensions?

Direct and active engagement with social partners is crucial for the design of supplementary DC pension schemes that deliver adequate retirement income to EU citizens. This approach is embedded in the governance model of paritarian pension funds, where employers' and employees' representatives participate on an equal basis within the governing board. Encouraging social dialogue can enhance trust and confidence in supplementary DC pensions and, in turn, result in increased participation among pension savers.

Meaningful involvement of social partners is equally important in the design of auto-enrolment mechanisms that should prioritise establishing high contribution levels to achieve adequate replacement rates and ensure appropriate retirement income for EU citizens.

Several practical tools already in place to help understand and address the drivers and barriers to DC pension adequacy, including auto-enrolment, which boosts participation and overcomes behavioural inertia; collective agreements and CDC frameworks, which support joint financing and risk-sharing; national pension tracking systems, which consolidate information and raise awareness of savings gaps; clear communication and financial-literacy strategies, which help individuals understand contribution needs and risks; and default investment strategies, which protect adequacy when member engagement is low.

Useful could be more targeted and behaviourally informed communication frameworks, enhanced digital and pension-tracking tools, proportionate regulatory approaches to avoid unnecessary cost burdens on members, clearer national adequacy benchmarks, and improved support for decision-making during decumulation. Tools that combine data analysis, behavioral nudges, and scenario modelling are the most effective for both understanding barriers and designing solutions.

Diagnostic tools such as retirement readiness scores, household balance-sheet mapping and contribution gap simulators could be integrated into national portals. Scenario engines comparing consumption patterns can help Member States understand adequacy drivers.

An idea could be to build a high standard national and European knowledge infrastructure (academics, supervisors, pension professionals and practitioners) and develop toolkits for pension providers.

TOPIC 7: EMERGING TRENDS, REGULATION AND SUPERVISION

Question 19. How will emerging trends (e.g. market) and innovations (e.g. AI) positively and/or negatively impact supplementary DC pensions in the future?

Emerging market trends and innovations will reshape supplementary Defined Contribution (DC) pensions. On the positive side, automation and AI can enhance personalisation, help in communication and guiding individual's choices, reduce costs, improve investment strategies, supporting benefit adequacy at retirement. However, they also introduce new risks including privacy concerns and opaque algorithmic choices. Cyber-resilience obligations should include mandatory penetration testing and minimum encryption standards for pension dashboards.

It is important to be aware of social trends, such as the increase in self-employed (gig economy), decreasing role of collective labour agreements and social partners and more professional governance of pension funds.

Question 20. To what extent should prudential regulation and supervision evolve in an environment where occupational and personal DC pensions are expected to increasingly contribute toward securing an adequate and secure retirement income?

Additional regulation does not necessarily encourage wider uptake of pensions. On the contrary, continuously rising administrative burdens may discourage employers from offering occupational pension schemes. The experience with the PEPP illustrates that simply creating a pension product through EU regulation does not generate either supply or demand.

Prudential regulation and supervision should adapt to the growing importance and specific risks of DC pensions, ensuring strong protection for members while avoiding unnecessary burdens that would increase costs and reduce value for money. Regulators must balance proper oversight with proportionality, since excessive compliance requirements in DC schemes ultimately raise participation costs borne by members.

Prudential supervision should extend stress testing to include longevity shocks, inflation persistence and illiquidity risk. Scenario analysis should be mandatory for decumulation structures. Supervisors should review liquidity-matching between assets and transfer rights to avoid forced sales during market stress.

Prudential regulation should not push for further reporting that while increasing costs borne by members and beneficiaries would not generate real benefits in terms of effectiveness of

prudential supervision and operations of pension providers.

Question 21. To what extent should conduct regulation and supervision evolve in an environment where occupational and personal DC pensions are expected to increasingly contribute toward securing an adequate and secure retirement income?

OPSG believes that the existing prudential framework, including the fit and proper requirements, remains adequate for both DB and DC schemes, and the growing role of DC does not in itself justify an expansion of supervisory mandates. At the same time, as members in DC arrangements bear more individual responsibility, we recognise that the conduct aspects of supervision - such as clear, balanced communication, transparency of costs and charges, and effective support at key decision points, including decumulation - naturally gain importance within the existing regulatory framework. This does not require new powers or additional layers of supervision, but rather a sharpened focus on the quality and usability of information provided to members, ensuring they can make informed choices without creating unnecessary burdens on schemes or increasing costs for savers.

Conduct regulation and supervision should continue to prioritise adequacy of benefits. Issues like the standardization of disclosure, appropriateness of options, conflicts of interest and management of claims could be further improved through AI and IT tools. However, national regulators and supervisors are better placed to define the areas of conduct regulation and supervision, considering the features of the markets and the current level of conduct regulation/oversight. Right products for right clients and active, risk-oriented approach are key issues.

Conduct supervision should focus on:

- monitoring algorithmic advice outcomes
- suitability tests before lump-sum withdrawals
- cooling-off periods for high-fee personal products

Member communications must be evaluated for behavioural biases and misleading framing.

OTHER COMMENTS

Question 22. Do you have any other comments and suggestions which EIOPA should consider for the future DC toolkit to help foster the development of adequate supplementary DC pensions?

EU-level approaches must respect the diversity of national pension systems and the principle that there is no one-size-fits-all model in Europe. Rather than prescribing uniform solutions, the

toolkit should provide flexible options that Member States can adapt to their own pension landscapes, social policies, and legal frameworks. Any proposed regulation should be justified, necessary, and proportionate, recognising that compliance costs in DC schemes are ultimately borne by members. The toolkit should also support - and certainly not hinder - the development of well-designed collective and hybrid schemes, which the report identifies as offering valuable cost efficiency and risk-sharing mechanisms. Finally, we stress that the reduction of red tape correctly ranks high on the EU's political agenda, and that this should also apply to supplementary pensions and their providers.

EIOPA could consider developing e.g.:

1. Minimum EU principles for auto-enrolment frameworks to reduce patchwork practices.
2. A European Pension Portability Passport based on interoperable data fields.

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