About PensionsEurope

PensionsEurope represents national associations of pension funds and similar institutions for workplace and other funded pensions. Some members operate purely individual pension schemes.

PensionsEurope has **24 member associations** in 18 EU Member States and 3 other European countries[1].

PensionsEurope member organisations cover different types of workplace pensions for over **110 million people.** Through its Member Associations PensionsEurope represents more than **€ 4 trillion of assets** managed for future pension payments. In addition, many members of PensionsEurope also cover personal pensions, which are connected with an employment relation.

PensionsEurope also has **29 Corporate and Supporter Members** which are various service providers and stake-holders that work with IORPs.

PensionsEurope has established a **Central & Eastern European Countries Forum (CEEC Forum)** to discuss issues common to pension systems in that region.

PensionsEurope has established a **Multinational Advisory Group (MAG)** which delivers advice on pension issues to PensionsEurope. It provides a collective voice and information sharing for the expertise and opinions of multinationals.

What PensionsEurope stands for

- A regulatory environment encouraging workplace pension membership;
- Ensure that more and more Europeans can benefit from an adequate income in retirement;
- Policies which will enable sufficient contributions and good returns;

Our members offer

- Economies of scale in governance, administration and asset management;
- Risk pooling and often intergenerational risk-sharing;
- Often "not-for-profit" and some/all of the costs are borne by the employer;
- Members of workplace pension schemes often benefit from a contribution paid by the employer;
- Wide-scale coverage due to mandatory participation, sector-wide participation based on collective agreements and soft-compulsion elements such as auto-enrolment;
- Good governance and alignment of interest due to participation of the main stakeholders.

1 EU Member States: Austria, Belgium, Bulgaria, Croatia, Estonia, Finland, France, Germany, Hungary, Ireland, Italy, Luxembourg, Netherlands, Portugal, Romania, Spain, Sweden, UK. Non-EU Member States: Iceland, Norway, Switzerland.

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PENSIONS EUROPE

EUROPE NEEDS TO SHIFT GEARS IN PENSIONS

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Supplementary pensions: a key issue for Europe

1. Why supplementary pensions matter

Europeans need more supplementary pensions to enjoy an adequate standard of living in retirement. Countries with a well-developed multi-pillar pension system experience significantly lower levels of old-age poverty and social exclusion. The EC has already been recognising this for a long time but much more needs to be done.

Supplementary pensions are essential for the adequacy and sustainability of our pensions systems. The demographic challenges of an aging society imply that a shrinking working population will need to support an ever-increasing number of retirees. In 2050, there will only be two working age people for every person over the age of 65 in Europe, and the associated costs will have significant economic, budgetary and fiscal impacts throughout Europe. Pay-as-you-go systems alone cannot cope with this demographic shift and increasingly need to be complemented by funded supplementary pensions.

Workplace pensions are best positioned to achieve wide-scale coverage thanks to mandatory participation, sector-wide participation based on collective agreements and soft-compulsion elements such as auto-enrolment. Members often benefit from a contribution paid by the employer.

Workplace pension schemes have a social purpose and are mostly not-for-profit. Members benefit from economies of scale in governance, administration and asset management. They are embedded in national social and labour law and aim to deliver adequate pensions within the specific domestic context.

Supplementary pensions play an important role in financing the EU's real economy. With more than €4 trillion assets under management, they provide capital to SMEs, corporates and infrastructure projects to grow and create jobs. Pension funds can play an important role in building a good Capital Markets Union as they are investors in the real economy, in listed and private equity, venture capital and infrastructure. It is important that EU policies coherently support this.

Supplementary pensions are important long-term investors in the European economy, which are active for the sole interest of their members and beneficiaries. Longer-term sustainability interests have been taken into account in their investments and risk management decisions for decades.

Pension funds support sustainable finance and they are important investors in the European economy. Sustainable finance and ESG investing are of paramount importance for pension funds and they wish to create the right opportunities and legislative and supervisory frameworks for this.

2. EU policy needs to support supplementary pensions

The EU should support the development and strengthening of supplementary pensions. Pension system design is a matter of national competence, but the EU should act as a facilitator to exchange information and best practices on how to ensure the long-term sustainability and adequacy of pension systems.

Growing, developing, and stable economy attracts investments. In this challenging and uncertain environment, it is of utmost importance that policymakers and supervisors do not create any unnecessary administrative burden or additional costs or increase uncertainty for supplementary pensions. The consequences would also be harmful for the wider European public, as they would lead to decreasing investments by pension funds in the European real economy.

Legislation should continue to allow supplementary pensions to stabilise financial markets. As long-term investors, supplementary pensions are able to mitigate financial shocks and work as a stabilizing factor for the financial sector, so it is important that legislation continues to allow pension funds' countercyclical behaviour. Supplementary pensions also play an important role in private financial risk sharing in the eurozone which significantly supports the macroeconomic stability in the EMU.

The EU legislation for IORPs should be streamlined. Based on the outcome of the European Commission's fitness check on the supervisory reporting, we expect concrete actions from the new Commission after the European Parliament elections in the summer of 2019. Furthermore, the new EC should have a more horizontal approach when drafting new financial market legislation by first exploring its consistency with various current legislation and their wider costs/impact on industries.

The EU should continue tackling the barriers for cross-border investments. The EU has made it easier to invest in Europe. There should be enough "big" investment opportunities available across Europe that match supplementary pensions' needs, and completing the CMU is crucial in order to boost cross-border investments. Particularly, the obstacles with the withholding tax procedures pose a major barrier to build the CMU and they should be removed with prompt actions by the Commission and Member States. Furthermore, we invite the Commission to include in its next 5-years programme our proposal on an EU tax register of recognised pension institutions.

The EU should preserve pension institutions from the negative impact of taxes on financial transactions, since such taxes, in their various typologies, end up becoming taxes on savings or pensions, increasing the costs, lowering the returns and reducing the efficiency of the investment strategies of pension funds which will ultimately lead to lower benefits for pensioners.

The EU should actively support the social dialogue at all levels. Workplace pensions are closely linked with social partners, as workplace pension schemes are often set-up on their initiative. Only strong social partners can develop a strong and efficient social dialogue. The EU should promote the role of social partners and support their development in the many countries where social dialogue is less developed.

The EU should carefully explore the policy recommendations that will be tabled in 2019 by the High-Level Group of Experts on Pensions. The group was established to advise the European Commission on matters related to ways of improving the provision, safety through prudential rules, intergenerational balance, adequacy and sustainability of supplementary pensions. It is key to follow up on this important initiative.

The EU should recognize the social character of workplace pensions – distinct from consumer products. Supplementary pensions should not be treated as purely financial service providers. Their social function and the triangular relationship between the employee, the employer and the supplementary pension should be adequately acknowledged and supported as guiding principles.

EU policy should support supplementary pension schemes as long-term sustainable investors. Regulation should allow supplementary pensions to take the long view and ensure that there is sufficient data available to understand the sustainability aspects of investors. The EU action should not require investing in or divesting from specific assets and respect the principle of proportionality.

Personal pensions are useful and important to save for retirement. With the rise of new forms of work and the overall trend of pension individualization, personal pensions will have to play an increasing role to fill the pension gap in the years to come.

PensionsEurope supports the creation of the Pan-European Personal Pension Product (PEPP). Further work is still needed before the first PEPPs will see the light, i.e. the development of technical standards to specify the rules of the PEPP Regulation.

The EU needs to defend supplementary pensions against nationalisation and pullbacks that continue to be the policies of choice in some Member States. Otherwise people will lose their trust in supplementary pensions and the EU.