

DEVELOPING SUPPLEMENTARY PENSIONS IN EUROPE: TOWARD A DC TOOLKIT

Actuarial Association of Europe (AAE) webinar

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CONTEXT OF THE PENSIONS LANDSCAPE AND CHALLENGES



**Ageing
Population**



**Declining
dependency
ratio**



**Risk of
poverty**



Pension gaps

BRIDGING THE PENSIONS GAPS

Holistic approach necessary to address pensions gaps

- **Develop and strengthen all three pension pillars:** look at pension systems in a holistic way and build uptake of supplementary pensions
- **Increase transparency, trust and awareness:** pension dashboard (Member States) and pension tracking system (citizens)
- **Build adequate and sustainable DC pensions:** achieve scale via auto-enrolment, contributions from both employer and employee, no cash out before retirement, payout choice architecture
- **Build attractive supplementary pensions:** digital, simple, portable, and cost-effective

Past and planned work

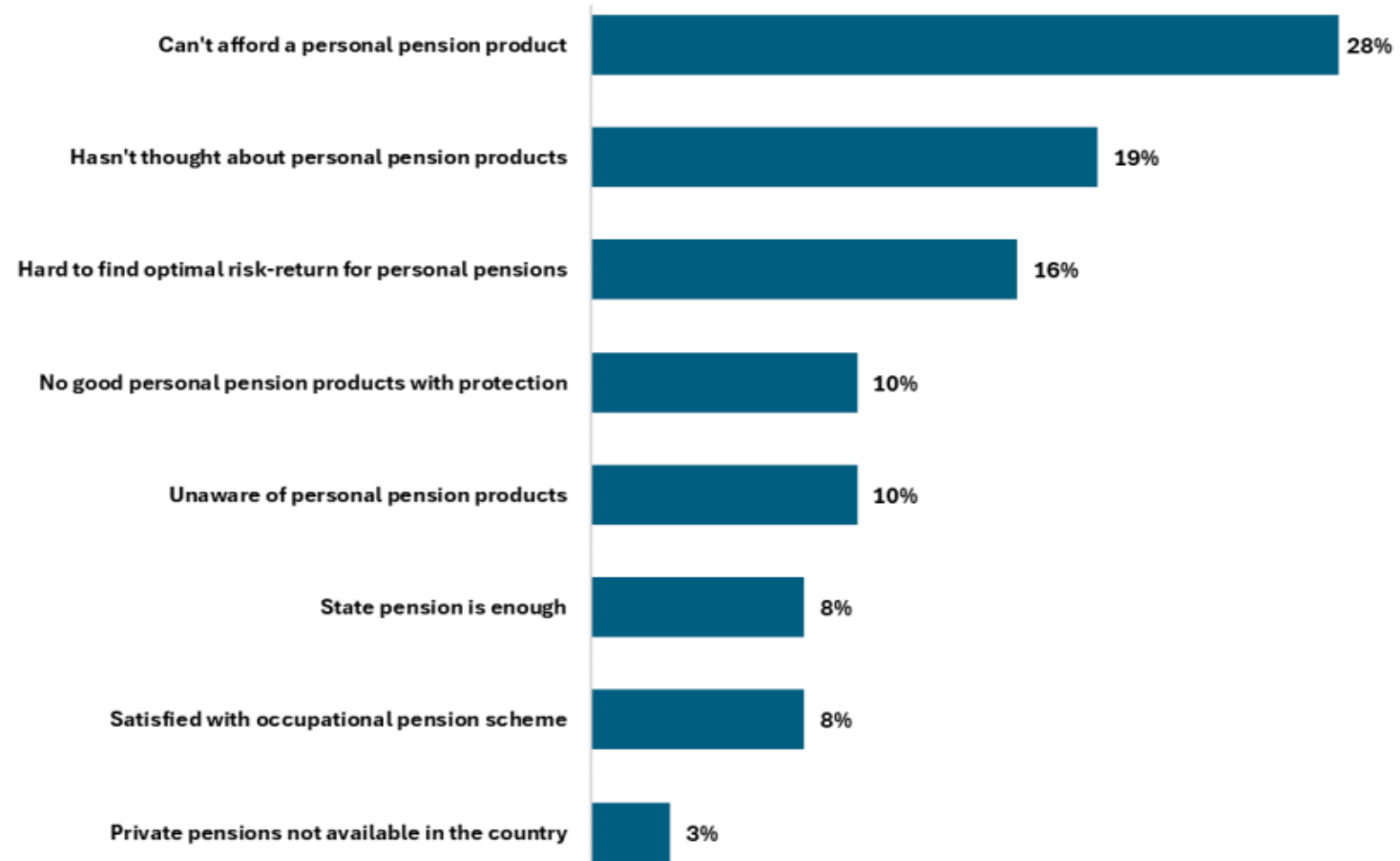
- Technical advice to the European Commission on pension tracking systems (PTS) and pension dashboards - 2021
- Technical advice to the European Commission on the review of IORP II Directive – 2023
- DC Toolkit to promote a more adequate and sustainable DC pensions – 2025
- DC roundtable (online) - 15 October 2025
- Pension Techsprint on how technology can be leveraged to enhance pension savers' accessibility and engagement – 17-19 June 2025
- European Commission consultation on IORP II review and PEPP – 2025

SUPPLEMENTARY PENSION PROVISION

Barriers to the uptake of supplementary pension plans include:

- Lack of awareness & financial literacy
- Complexity of pension products
- Consumer behavioural biases
- Poor product design & advice
- Low transparency in costs & charges
- Taxation issues
- Restrictions on pension transfers

Figure 12 - EU consumers' that do not own a personal pension by reason – 2024



Source: EIOPA 2024 Eurobarometer survey

PURPOSE OF DC TOOLKIT

Objectives

- Contribute to addressing pension gaps across Member States
- Help enhance the protection of DC pension savers and foster trust and confidence in supplementary DC pensions
- Propose solutions and options to improve the adaptability of DC pension systems e.g. flexible labour markets
- Provide Member States with principles and proposals for the design of supplementary DC pension arrangements

Deliverable

- Practical guide for policymakers, regulators, and supervisors to develop sustainable and adequate DC pensions
- Wide scope but intention is not “one-size-fits-all”
- Pensions adequacy tool to illustrate the impact of contribution and cost levels on expected retirement income
- Toolkit could include other practical tools as and when identified by the project and through stakeholder feedback

KEY CONSIDERATIONS

Labour market

- Multiple jobs, different employment contracts and employment status, spells of inactivity (intended or not) over the working life, lack of labour (ageing population)

Behavioural

- When faced with complexity such as pensions, people procrastinate. When forced to take decisions or make a choice, they are prone to mistakes leading to sub-optimal outcomes
- Good choice architecture is therefore essential to the design of supplementary DC pension arrangements

Other

- Pensions taxation effectively impacts on saving behaviours
- Scale in DC matters and should be fully realised to benefit DC pension savers
- Public trust and confidence in financial services including pensions is low
- Primary purpose of private pensions is to provide a steady income stream in retirement. True private pension features early withdrawal restrictions

SAMPLE OF QUESTIONS

- What are the critical success factors of DC pension adequacy and sustainability (e.g. governance model, VfM) and how to translate these into quality DC pension features during both accumulation and decumulation?
- What contributes to enabling and achieving sufficient scale in DC?
- To what extent risk sharing in DC is still possible and under what conditions?
- To what extent DC portability/switching and the need for long-term investment horizon and illiquidity can co-exist?
- How to inspire trust and confidence in DC pension arrangements?
- How to design DC pension arrangements that adapt to and evolve with the realities of flexible labour markets?

EXAMPLES RELEVANT FOR ACTUARIAL PROFESSION



Risk management in DC



Decumulation



Risk-sharing mechanisms



Data analytics and modelling
- DC pension outcomes

APPROACH AND TIMELINE

Approach

- Start with evidence gathering before developing toolkit / guide
- Stakeholder engagement and feedback throughout
- Draw on existing practices from EU and non-EU countries and work from other international organisations e.g. OECD

Tentative timeline

- Q3 2025: Public call for evidence
- 15 October 2025: DC Roundtable
- 2026: Development of draft DC pensions toolkit including public consultation
- Q1 2027: Publication of final DC pensions toolkit

THANK YOU!