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ACTUARIAL
ASSOCIATION
OF EUROPE

European Commission Consultation Supplementary Pensions

Summary of key messages from the AAE's response





Consultation

Submission

Consultation Webpage / EC Document / AAE Response

European Commission Consultation on Supplementary Pensions	29 August 2025			
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The consultation covered five key areas:

- **Pension Tracking Systems** (4 questions)
- **Pension Dashboards** (2 questions)
- **Auto Enrolment** (5 questions)
- **Review of the PEPP Regulation** (22 questions)
- **Review of the IORP II Directive** (21 questions)



- **Purpose and design of PTS:** A well-functioning Pension Tracking System should be simple to use, secure, and give individuals a comprehensive view of their pension entitlements across all three pillars. Both accrued rights and projected benefits should be included to support long-term planning.
- **Quality and comparability of information:** Objectivity, accuracy, and clarity of data are essential to build trust. Standardisation of assumptions (e.g. retirement age, inflation, return expectations) helps comparability, but AAE stressed the need to avoid misleading simplicity. Actuaries are well placed to define methodologies that balance accuracy with accessibility.
- **Role of PTS in engagement:** PTS can play a vital role in raising awareness of pension adequacy gaps. Behavioural nudges (e.g. visualisation of projected replacement rates) can encourage participation in supplementary schemes. Some members noted the importance of communication tools tailored to different levels of financial literacy.
- **European dimension:** A pan-European PTS could be particularly valuable for mobile workers with entitlements in multiple countries. However, members cautioned that interoperability adds complexity; most agreed that robust national systems should be established first before EU-level integration is pursued.
- **Pension dashboards:** Dashboards should not only display accrued entitlements but also focus on forward-looking measures of adequacy and sustainability. This would allow policymakers and individuals alike to see potential risks to future retirement income.
- **Dashboards' data:** Consistent, comparable data across Member States can be useful for benchmarking and policymaking. At the same time, national contexts and differences in system design must be respected. Dashboards could also highlight inequalities (e.g. gender gaps, non-standard employment, income differences), helping to inform inclusive policy responses.



PEPP

- Uptake remains weak. The majority view is that the 1% fee cap should be revisited, with value for money as the guiding principle. However, some members supported retaining the cap for its transparency and predictability.
- Lifecycle strategies are widely seen as a suitable default, but some members noted that other risk-mitigation approaches could be equally effective and should remain available.
- There is broad agreement that execution-only distribution could reduce costs for simple products, and that the sub-account structure creates complexity and should be simplified.
- Employer contributions are supported, but the PEPP should remain a personal product.
- Transfers into PEPP divided opinion: while portability is appealing, several members warned of tax and administrative risks.

Auto-Enrolment

- Members agreed AE should complement statutory systems, expand coverage (including self-employed), and use state incentives to support fairness.
- Fairness for self-employed and non-standard workers is essential — equivalent tax incentives/subsidies recommended.
- Gradual contribution escalation is supported as a way to balance affordability and adequacy.
- Opt-out windows should be limited and linked to re-enrolment to avoid long-term disengagement.
- Majority view is that the legislator should set the framework, while social partners should play a meaningful role in design.

- **Broader diversification:** The AAE supported expanding IORPs' ability to invest in a wider range of asset classes, including infrastructure, private equity, and real estate. This can improve risk-adjusted returns and diversification, and help match long-term pension liabilities, provided that schemes have the capacity and governance to manage such exposures.
- **National limits vs prudent person principle:** Responders generally agreed that some national quantitative investment restrictions could constrain investment strategies and reduce long-term member outcomes. A more consistent reliance on the prudent person principle would allow IORPs to align investments with their liabilities and membership characteristics.
- **Duty of care:** Most responders favoured introducing an explicit duty of care to strengthen member protection and trust. However, some stressed that this must be proportionate and clearly defined, particularly to avoid imposing excessive burdens on smaller IORPs.
- **Risk management enhancements:** While the existing IORP II framework is regarded as solid, further improvements were identified. These include liquidity risk management, more robust scenario and stress testing, and transparent methodologies for valuing illiquid and alternative assets.



- **Challenges of small scale:** Smaller IORPs can face some structural disadvantages — higher costs, limited diversification, and weaker governance resources. This threatens efficiency and long-term adequacy of benefits.
- **Ways to build scale:** Responders pointed to asset pooling arrangements, fiduciary management and outsourced CIO models, as well as multi-employer and master trust structures. These can help IORPs achieve economies of scale, broaden investment opportunities, and professionalise governance.
- **Supervision and convergence:** Supervisory convergence is desirable to ensure a level playing field and consistent protection of members. However, the AAE emphasised that convergence must respect proportionality and national diversity. Overly prescriptive, one-size-fits-all supervisory rules risk undermining diversity and innovation in supplementary pensions.
- **Balance of powers:** There was support for strengthening supervisory effectiveness, but some members cautioned against extending powers to a level that could reduce flexibility and responsiveness at the national level.
- **Cross-border barriers:** Transfers and cross-border operations are still unnecessarily complex. Responders agreed on the need for simpler, clearer transfer procedures and harmonised definitions, which would reduce fragmentation and facilitate mobility of both workers and providers.



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