Call for Evidence to inform the development of a DC pensions toolkit

Background Call for Evidence

- The Call for Evidence aims to gather information and insights to inform the DC pensions toolkit that EIOPA is currently developing.
- The DC toolkit seeks to foster the development of supplementary DC pensions as well as enhance existing DC arrangements.
- Aimed at policymakers, social partners, regulators and supervisors, the DC toolkit will provide practical guidance, principles and (non-legally binding) recommendations to help Member States address the pensions gaps.
- The DC toolkit should offer options on tackling DC pensions issues for Member States' consideration, depending on national specificities, including state pensions in the first pillar, and the nature of the pensions gap. Amongst others, this work will consider options and solutions that:
    - improve the adaptability of DC pension systems to changing labour markets (e.g. more selfemployed, multiple jobs over one's working life, broken career paths);
    - offering guidance throughout the accumulation and decumulation phases with regard to behavioural and cognitive biases with the aim to secure adequate retirement outcomes;
    - enhance the protection of DC pension savers and foster trust and confidence in supplementary DC pensions;
    - provide value for money to DC pension savers.

Responding to this Call for Evidence

To respond to this Call for Evidence, please send your comments via email to Stephanos Hadjistyllis at stephanos@shsactuarial.com including any supporting documents to provide additional context and evidence to your response, such as examples and case studies, data and statistics, research reports, lessons learned from international experiences.

Your input will help shape the development of the DC pensions toolkit and ultimately contribute to the improvement of supplementary DC pensions in the EU.

Pensions definitions[1]:

Supplementary pensions refer to funded pension plans or schemes that can be accessed on the basis of professional activity (occupational pensions) or individual pension savings contracts (personal pensions), and that provide additional retirement savings, complementing statutory pensions. Based on a three-pillar pension system, occupational and personal pensions belong to the second and third pillar respectively.

An occupational pension is a pension plan where the employer (sponsoring undertaking or also through an agreement between the employer and employees) has a role in the establishment and/or funding of the plan itself. Self-employed persons can be considered to be sponsoring undertakings. Occupational pensions can be managed by an IORP, or other pension funds outside of the scope of the IORP II Directive, by a pension fund management entity, directly managed by the employer or by a financial institution, e.g. a bank, an insurance undertaking or an investment fund.

A personal pension, as defined in the PEPP Regulation, is a product which is based on a contract between an individual saver and an entity on a voluntary basis and is complementary to any statutory or occupational pension product. It provides for long-term capital accumulation with the explicit objective of providing income on retirement and with limited possibilities for early withdrawal before that time and is neither a statutory nor an occupational pension product.

Call for Evidence questionnaire and Response Form

Topic 1: Coverage and contributions

1. **What financial incentives (e.g. tax advantages) and non-financial incentives (e.g. autoenrolment) 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?**

   The AAE considers that a balanced package of defaults, employer engagement and targeted incentives is most effective at raising participation, particularly for young and lower-paid workers. Members' input consistently supports the following elements.

   <u>Financial incentives:</u>

1. Tax relief at source (or equivalent credits) during accumulation, with simple, visible treatment that is understood by savers and available from the first contribution. Targeted state top-ups for low-to-middle incomes and enhanced allowances for new labour-market entrants can amplify early compounding.
2. Employer contributions (mandatory or strongly incentivised) and matching structures are among the strongest levers for participation and saving persistence, including for younger members.
3. Where consistent with national systems, tax relief on contributions made for dependent children can support early coverage among first-job cohorts.

   <u>Non-financial incentives (default architecture and design):</u>

1. Automatic enrolment with opt-out, supported by simple, standardised joining processes and periodic re-enrolment, remains the anchor mechanism to achieve mass participation.
2. Automatic contribution escalation (linked to pay rises or time in plan) complements AE by nudging young members towards adequate saving without complex decision-making.
3. Low-friction digital journeys (mobile/web onboarding, pre-filled data) and high-portability personal accounts reduce hassle costs for new entrants and those with frequent job changes. Visual pension projections and "cost-of-waiting" nudges help younger members grasp long-term effects.
4. Clear, layered communications using behavioural insights should focus on a small number of decisions (join, contribute, stay) and highlight employer contributions and available tax relief.

   <u>Targeting young people specifically:</u>

- **Start-of-career defaults:** enrol automatically at first employment or other natural touchpoints (e.g. first payslip, first tax filing), with a youth-appropriate default and small initial contribution that auto-escalates over time.
- **Education and awareness:** short, digital-first campaigns on the state pension gap, compounding and the value of employer matching, delivered via employers, education institutions and public channels.
- **Avoiding duplication**: where workers already participate in an adequate occupational or social-partner plan, the system should avoid automatically layering a second personal plan by default; this reduces confusion and administrative burden as young workers move between jobs.

Proportionality and inclusiveness

Employment patterns vary across Member States. Auto-enrolment models should therefore be adaptable to non-standard work, with simple portability, low minimums and the ability to vary or pause contributions without punitive consequences, so that participation once started is not lost during transitions.

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?**

The AAE considers that contribution adequacy is best achieved through a coherent default architecture, meaningful employer participation, and transparent outcome targets that anchor saver behaviour.

1) Defaults that start high enough and rise over time: Set default contribution rates at a meaningful level with an opt-out, calibrated to typical earnings and retirement income objectives; incorporate automatic escalation (e.g. linked to pay rises or tenure) until a target rate is reached.

Where social partners are active, embed collective agreements that lock in baseline rates across sectors to avoid under-saving at employer level.

2) Employer engagement and matching: Require or strongly incentivise employer contributions, ideally via a base + match structure that rewards higher member saving and reinforces persistence.

3) Outcome-oriented transparency and targets: Provide standardised retirement-income projections and adopt clear replacement-ratio rules for calculation and disclosure so members and trustees can see whether current rates align with the target outcome, with prompts to adjust contributions. Pension tracking systems should consolidate all pillars to create a complete picture.

4) Governance levers to keep contributions on track: Build periodic adequacy checks into scheme governance (e.g. annual reviews of contribution settings against projected outcomes) and use behavioural prompts at natural moments (pay reviews, promotions, life events) to nudge step-ups.

In occupational settings that use collective DC/CDC features, allow annual balancing of contributions and indexation against funding measures to maintain trajectory towards promised or targeted income streams, without imposing guarantees.

5) Proportional tools for diverse labour markets: Complement the above with information campaigns and, where appropriate, minimum contribution expectations or soft floors to avoid persistent low saving, while retaining flexibility for hardship.

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?**

The AAE considers that occupational pensions should be the primary delivery channel for supplementary DC, with personal pensions playing a complementary role to extend coverage and accommodate individual top-ups or workers outside employer arrangements. This balance leverages the workplace to achieve scale, governance and contribution discipline, while preserving flexibility for diverse labour markets.

1) Primary role of occupational DC via the workplace
Occupational arrangements anchored in the employer/social-partner framework are best placed to secure broad coverage, sustained contributions and effective risk management. Employers provide the natural gateway (onboarding, payroll integration) and co-financing, while collective agreements can embed adequate default contribution rates and sector-wide participation.

2) Complementary role of personal DC (including PEPP-type products)
Personal pensions should complement, not substitute, occupational provision—filling gaps for those without access to workplace plans and enabling voluntary top-ups. This preserves inclusivity without duplicating arrangements for members already in adequate occupational schemes.

3) Roles of employers and social partners

- **Employers**: act as facilitators and co-funders—providing access at the workplace, contributing financially, integrating payroll deduction, and communicating key features to staff. These functions support participation, stability and value for money.
- **Social partners**: negotiate sectoral frameworks and collective agreements that set contribution norms, reinforce trust, and streamline implementation—while avoiding unnecessary administrative barriers.

4) Risk management and outcome focus
Occupational DC plans can provide robust risk management frameworks. Where appropriate (e.g. CDC), collective risk-sharing features (e.g., smoothing mechanisms or conditional indexation) within occupational settings can help manage market and longevity risks without creating hard guarantees—consistent with DC principles and proportional to national practice. Personal products remain primarily individual-account based. Across both pillars, investment aims should focus on sustaining real purchasing power over time.

5) Adequacy and engagement
Employers and social partners have a specific role in raising awareness and promoting informed choices, especially for younger and less-engaged workers. This can support the targeting of higher replacement rates over time, with governance and communications that help members understand contributions, expected outcomes and risks.

Topic 2: Participation and contribution persistency of specific groups

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?**

The AAE considers that participation and persistency among the self-employed and non-standard workers improve when the system combines portable personal accounts, default mechanisms triggered at non-employer touchpoints, and incentives that recognise volatile incomes and the absence of employer funding.

<u>Design features for access and persistence</u>

- Portability by design: personal DC accounts that follow the individual across contracts, platforms and career breaks, with safeguards to avoid repeated set-up charges or commissions on each move.
- Digital, low-friction onboarding: single-journey sign-up via tax, social-security or platform interfaces with pre-filled data; simple ongoing access through apps and portals.
- Default entry without an employer: auto-enrolment prompts at key lifecycle touchpoints (business registration, first tax return, platform onboarding) with opt-out; default contribution settings expressed as a percentage of income/turnover and set to auto-escalate as income grows.
- Income-aware flexibility: allow variable and ad-hoc payments, contribution holidays and sweep-rules (e.g. round-ups or quarterly surplus-income sweeps) to accommodate income volatility while maintaining participation.
- Collective access routes: enable sectoral or professional-body arrangements that open membership to freelancers and temporary workers; use chambers and associations as distribution and engagement gateways.

<u>Financial incentives tailored to these groups</u>

- Tax relief at source that is visible and immediate, rather than only via annual returns, to reinforce salience for the self-employed.
- Targeted public top-ups for lower and middle incomes and during early years of self-employment; consider soft mandates in public procurement or licensing that default a small contribution unless actively opted-out.
- Cost discipline: apply transparent pricing and, where appropriate, fee caps suited to small and irregular contributions, given evidence that even a 1 percentage-point fee reduction materially improves outcomes over long horizons.
- Recognise alternative saving channels: some self-employed people accumulate retirement resources within their businesses; pension incentives should be coherent with this reality while still encouraging diversified long-term saving in dedicated pension vehicles.

Other governance and structural considerations

- Public organising role: consider a state-organised administration layer for individual accounts to capture scale economies and standardise processes, with investment delegated to competing providers. Dedicated administrators could be used for specific groups where targeted communication and follow-up are needed.
- Evidence from one Member State highlights very low participation among self-employed workers relative to employees and the impact of higher retail costs in personal products; this supports prioritising scale solutions, cost reduction and aligned tax treatment across pillars.

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 AAE considers that targeted strategies are necessary to sustain participation and contributions through periods of inactivity, with particular attention to women and carers whose career breaks reduce pension accrual.

The toolkit should promote mechanisms that preserve saving continuity during leave or unemployment, including state or social-partner top-ups credited to the DC account for recognised caregiving or parental-leave periods, and pension credits for defined spans of unpaid care work.

The system should allow catch-up saving after return to work by enabling carry-forward of unused annual tax-relief limits and facilitating additional voluntary contributions. Partner or household transfers into an individual's pension account can further smooth gaps where permitted.

Automatic re-enrolment at re-entry to work helps restore saving, while micro-saving options such as low-threshold direct debits or app-based small payments maintain engagement during low-income phases.

Clear, personalised communications should show the effect of career breaks on projected retirement income and illustrate how catch-up payments and returning contributions can close the gap. This is especially relevant given evidence of low contribution regularity among women in individual plans.

Where administrative complexity is a barrier, a public organiser or dedicated administrator could manage accounts for those temporarily outside mandatory social security, while investments remain with competing providers, to lower costs and support targeted follow-up.

Italy's experience highlights the risk that easy early exit from supplementary pillars leads to contribution interruptions; strategies should therefore include measures that keep accounts open during inactivity and reduce or cover maintenance costs, alongside strengthened financial education.

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 AAE considers that several groups may face heightened risk of low accrual, including people with disabilities, ethnic minority groups, carers, and workers in precarious or intermittent employment. The toolkit could consider practical measures that remove access barriers and sustain saving through interruptions.

- Maintain pension accrual during illness or incapacity through funded disability or solidarity mechanisms that credit contributions for defined periods.
- Consider targeted top-ups for low-income and disabled individuals to support regular saving where employer funding is absent or limited.
- Guarantee accessibility across all channels by using plain language, multilingual materials, inclusive digital design and assisted channels, so language and usability do not deter participation.
- Build trust and awareness via community outreach and partnerships with local organisations that are credible to ethnic minority groups.
- Offer low-threshold payment options such as micro-contributions and flexible schedules to accommodate irregular incomes and help persistence.

Reduce leakage from supplementary pensions by limiting unnecessary early withdrawals and covering or reducing maintenance costs during periods of inactivity, alongside strengthened financial education and clear communications.

Topic 3: Scale and portability

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?**

The AAE considers that economies of scale should be an explicit design objective because scale improves value for money, broadens investment opportunity sets and supports operational resilience. Scale can be generated in several parts of the value chain without eliminating competition.

Multi-trusts, as well as sectoral or multi-sector arrangements, can deliver meaningful pooling of members and contributions, creating large schemes that reduce average costs while improving governance and risk management.

Shared or centralised infrastructure for administration and investment platforms can standardise processes such as contribution collection, record-keeping and payments, lowering unit costs while allowing multiple providers to compete on service and performance.

Larger asset pools can access lower-fee investment mandates and a wider range of long-term and/or illiquid assets, with prudent governance of valuation and liquidity.

However, effective outsourcing can let smaller providers achieve cost efficiency by leveraging specialist administrators or asset managers, maintaining diversity in the market.

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?**

We consider that switching and cross-border portability should be enabled and simple, with safeguards so mobility does not undermine long-term investment.

<u>Within national systems</u>
Clear and low-cost switching rules should be based on simple definitions of accrued rights, up-to-date records and standardised timelines so members can change provider without jeopardising entitlements. Employer choice in occupational settings need not always trigger asset transfers where information portability is robust and rights are transparently tracked.

<u>Cross-border portability in the EU</u>
Portability should prioritise information continuity and administrative compatibility, using pension tracking systems so members can see all entitlements across providers and countries. Physical asset transfers should be available to avoid too many small pension pots. A hybrid approach could also be appropriate, allowing multiple entitlements to accrue during a career with optional consolidation at or near retirement.

<u>Investment and valuation safeguards</u>
Frequent switching should remain the exception because forced disinvestment can impair outcomes. Clear regulatory guidance is needed for transfer valuations, including the treatment of illiquid assets when transfers occur, to ensure fairness and consistency. However, it is recognised that it is impractical for members with investment choice to manage their investment choices across a number of schemes held with past employers – in this respect, transferability adds to practicality and efficiency.

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?**

There should be clear and simple rules for transfers of accrued rights, with portability that is genuinely usable for members. Mobility should be enabled in a way that preserves long-term investment capacity and scale, while recognizing that members would be expected to change employment a number of times over their careers and managing legacy pension pots (e.g., investment choice) can be impractical. Views vary across jurisdictions on the desirable frequency of transfers, however, we support transfers as a standard option for members, complemented by safeguards that protect long-term investment and fairness.

At the same time, it is important to recognise that allocations to illiquid assets (e.g., infrastructure, private equity, real estate) may pose certain risks and restrictions both for the remaining scheme members and those transferring.

<u>Balancing mechanisms</u>
Schemes should plan for expected transfer activity within actuarial ALM so portfolios maintain appropriate liquidity while retaining allocations to long-term and illiquid assets.

Where feasible, in-specie transfers can reduce disinvestment costs. Where cash transfers are necessary, transfer windows and liquidity buffers can limit market-timing risk.

<u>Valuation and fairness where transfers occur</u>
When transfers interact with illiquid holdings, consistent and comparable valuation principles are needed across the market, with clear disclosure of valuation uncertainty. Anti-dilution tools such as swing pricing or fair transfer charges should protect remaining investors without creating barriers to mobility or opportunities for arbitrage between different valuation stances.

<u>Pillar-specific considerations</u>
Within the second pillar, sectoral frameworks and collective administration can preserve scale and reduce unnecessary transfers when workers change employer within a sector; transfers should still be available where members wish to consolidate. Within the third pillar, higher expected switching can be accommodated through standardised data, timelines and charges. Transfers between the second and third pillars should not allow the triggering of early payouts which would allow the squandering of pension savings for purposes other than retirement (subject to specific national contexts).

<u>Role of information portability</u>
Pension tracking systems and comparable disclosures remain important to ensure members have visibility over all entitlements throughout their careers; these tools complement transfer options and help members decide when consolidation adds value.

Topic 4: Design of the accumulation and decumulation phase

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 risksharing 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?**

    We consider that the accumulation phase should be built around a robust default strategy with limited, well-differentiated alternatives. The aim is to deliver strong long-term, net-of-fees outcomes for the majority while allowing proportionate choice where it adds value.

    <u>Default investment design</u>
    A high-quality, cost-effective default should follow a life-cycle or target-date path that reduces risk as retirement approaches and is suitable for the vast majority of members. The glidepath and asset mix should be grounded in evidence and monitored under the scheme's governance.

    <u>Member choice</u>
    Choice should be available but limited to a small set of clearly distinct options (for example, a sustainable tilt or a lower-risk alternative), avoiding decision fatigue and operational complexity. National experience shows families of options ranging from guaranteed and bond-heavy compartments to balanced and equity compartments; these can coexist with a strong default where members have specific preferences. However, evidence suggests that the vast majority of members opt for the default option. We note that keeping total costs low is central to compounding and should be a consideration for the design of the default strategy.

<u>Risk-mitigation tools</u>
Schemes may use risk-sharing mechanisms, including collective smoothing or conditional indexation, especially in large occupational settings, provided these do not create hard guarantees inconsistent with DC unless explicitly priced and funded. Where offered, partial guarantees or smoothing features should be transparent and supported by appropriate reserves and governance.

<u>Governance and monitoring</u>
The investment menu, default settings and any risk-sharing features should sit within a governance framework that periodically reviews performance net of fees, member outcomes and suitability of the glidepath, adjusting parameters when evidence shows persistent misalignment with retirement objectives.

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?**

We consider that the decumulation phase should offer member choice within a structured framework anchored by a default pathway to secure sustainable lifetime income. The default should focus on converting a substantial share of savings into income that lasts for life, while allowing some flexibility for lump sums and drawdown where this does not jeopardise adequacy.

<u>Default pathway</u>
A default that targets lifelong income protects against longevity risk and reduces decision burden at retirement. This can be achieved via immediate or deferred lifetime annuity components, or collective mechanisms that provide income for life, with governance ensuring charges and conversion terms are fair and transparent. Where consistent with national policy, tax incentives can prioritise lifetime income components. Members should be guided to make or confirm their payout choice ahead of retirement so late-stage investment can align to the chosen path.

<u>Member choice and configurable options</u>
Members should be able to combine options in a controlled way (for example, some countries allow for a percentage 20-25% to be taken as a tax free cash lump sum). Limited and clearly-signposted lump sums can be provided without reducing long-term security. Programmed withdrawals can complement an annuity component, provided longevity risks are explained and prudent spending guardrails are used. A staged approach that allows greater flexibility in early retirement and stronger lifetime-income protection in later life is consistent with spending patterns and risk management objectives.

<u>Behavioural and communication elements</u>
Members benefit from early, staged communications that frame decisions around income, not capital, and that illustrate trade-offs between lump sums, drawdown and lifelong income. Retirement “wake-up” packs, guided pathways with explicit defaults, and simple comparisons of conversion terms and expected income sustainability help members reach decisions that align with long-term adequacy. Evidence of strong preferences for cash in some markets

underlines the need for clearer risk warnings and salient income projections at and before retirement.

<u>Safeguards and governance</u>
Schemes should maintain policies for sustainable withdrawal rates, periodic income reviews, and conversion at later ages to provide longevity protection if not taken up at outset. Charges in retirement should be proportionate, and product oversight should prevent designs that encourage excessive lump sums or unsustainable drawdown. Where collective or pooled mechanisms are used, adjustment rules should be transparent and fairly applied.

<u>Early access before retirement</u>
Early withdrawals generally reduce adequacy and complicate administration. If permitted, they should be tightly limited to specified life events, capped as a percentage of the pension pot, contingent on minimum residual balances and subject to cooling-off and advice or guidance requirements.

<u>Integration with the first pillar</u>
Design should recognise interactions with statutory social security pensions, providing communication about the timing and levels of state and supplementary income, including the option to defer benefits temporarily. Clear rules and communication are needed where supplementary choices affect state-pension decisions. For example, starting to draw on DC benefits early, prior to the state pension commencing, could result in premature depletion of DC savings.

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?**

We consider that accumulation and decumulation are interconnected. Investment strategy, contribution policy and cost control in accumulation should be set with the intended payout pathway in mind, and late-stage investment should anticipate the decumulation choice to avoid inefficient transitions.

<u>Key interdependencies</u>
Investment glidepaths depend on the target payout. If lifetime income is the default, late-stage portfolios should move towards assets that match annuity characteristics; if drawdown is expected, sequencing risk and liquidity needs should be reflected in asset allocation and rebalancing.

Guarantee design affects adequacy at retirement. High levels of capital guarantees in accumulation generally depress long-term returns and reduce the capital available for income; frameworks should allow pure DC or conditional mechanisms where appropriate to support adequacy.

Collective features in accumulation support retirement income. Building longevity pooling or deferred annuity elements during accumulation can stabilise income later and reduce individual longevity risk. Excessive lump sums can undermine collective protection.

<u>Design implications</u>
Members should be prompted to make or confirm a provisional payout choice ahead of retirement, so the late-stage glidepath and liquidity buffers align with the intended income

route.

Product menus should be coherent across phases, with default pathways that connect accumulation glidepaths to decumulation solutions without abrupt switches or unnecessary trading. Integrated administration across both phases improves cost efficiency and supports a smooth handover from saving to spending.

Communication should frame decisions in terms of income, not just capital, and highlight how drawdown rates, lump sums and guarantees in accumulation alter expected retirement income and risk.

Topic 5: Value for Money

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?**

Value for Money (VfM) in supplementary DC pensions is best assessed with reference to long-term member outcomes rather than short-term metrics. We propose a consistent European framework that combines a small set of quantitative indicators, distinguished by phase, with qualitative indicators of governance and service, applied proportionately across occupational and personal DC arrangements.

To avoid over-engineering, the toolkit should emphasise a limited core set of long-term outcome indicators, supported by clear communication standards and proportionate qualitative assessments. Any methodological detail should remain illustrative rather than prescriptive, allowing for national flexibility and innovation.

<u>Accumulation — quantitative indicators (outcomes after charges):</u>

- Charges shown as a harmonised all-in measure (e.g., Total Expense Ratio plus transaction costs).
- Savings adequacy momentum: change in projected replacement rate at retirement age attributable to investment + contribution changes (bps per year). Contribution persistence metrics (e.g., % of members on default, with auto-escalation in place).
- Net performance relative to an appropriate age-adjusted reference portfolio or lifecycle index, highlighting any persistent shortfall after costs.
- Long-term net returns (after all charges), assessed over appropriate horizons such as 5–10 years, with simple risk-adjusted indicators where proportionate.
- Appropriate measures of downside risk and volatility, without prescribing specific statistical tools, to ensure comparability while avoiding complexity.

<u>Decumulation — quantitative indicators:</u>

- Income sustainability under realistic capital-market assumptions (e.g., the likelihood of sustaining income for life under reasonable assumptions), expressed through simple sustainability indicators.

- Conversion terms/annuitisation factors relative to transparent market benchmarks (benchmarked against fair-value ranges), recognising national market structure differences.
- Charges in payment (including drawdown administration and investment costs).
- Indicators of income stability and inflation protection, kept simple to remain comparable across products.

Cross-phase qualitative indicators (assessed proportionately):

- Governance and oversight quality: trustee/board competence, conflicts management, independent challenge, and effective systems of governance.
- Administration and service quality: core transactions timeliness/accuracy, data quality, complaints handling and member support (including digital access).
- Transparency and member communications: clarity, layering, and behavioural design tested for comprehension, with evidence of engagement and service utilisation. We emphasise that clarity of disclosures and communication is itself a key VfM indicator, not a secondary consideration.
- Investment governance: documented objectives, strategic asset allocation appropriate to horizon, illiquid asset liquidity management, and stewardship/ESG integration where aligned with member interests.

Creating composite supervisory benchmarks:
To improve transparency and competition while respecting national specificities, supervisors could publish composite VfM benchmarks that remain simple, principles-based and focused on long-term outcomes. These should be built from a limited core set of indicators, avoiding prescriptive formulas or fixed metric weights:

1. Normalisation and cohorting: Scores normalised within like-for-like cohorts (e.g., master trusts vs single-employer schemes; lifecycle to a stated glidepath) ensuring fairness and avoiding inappropriate comparisons.
2. Reference portfolios: Transparent lifecycle or age-based reference indices against which long-term net performance after all charges can be assessed, using both time-weighted and money-weighted views.
3. Clear, accessible presentation: for example, a simple traffic-light or scorecard format combining a small number of core elements—such as long-term net performance versus reference, all-in charges, governance and service quality indicators, and income sustainability in decumulation—with an accompanying narrative to explain drivers and context.

The toolkit should avoid excessive prescription of metrics, formulas or detailed calculation methodologies, as these could restrain innovation, increase administrative burden and divert resources away from improving member outcomes. Instead, comparability should be supported through standardised data templates and transparent reporting requirements, allowing supervisors to calibrate composite indicators to national markets.

Periodic publication (e.g., annually), using a standard data template (costs, net returns, service KPIs) and assurance over reported figures would enhance transparency while maintaining flexibility.

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?**

VfM is most effectively improved by high-quality defaults and income pathways, disciplined implementation at scale, broader but well-governed investment opportunity sets, clear standardised disclosures, and targeted member support, with risk-sharing features where suitable. We consider that the following specific design features and practical innovations can improve Value for Money (VfM) when applied proportionately and with clear governance.

Accumulation

- Robust default strategies (lifecycle/target-date) without hard guarantees, reviewed periodically for suitability.
- Implementation quality controls: explicit tracking-difference/error limits, turnover and trading-cost monitoring, and glidepath-adherence checks.
- Access to diversified return sources, including illiquid assets where appropriate, supported by liquidity and valuation policies.
- All-in charging disclosures presented on a standardised basis to sharpen competition on net outcomes.

Decumulation

- Default retirement-income pathways combining drawdown with later-life longevity protection (e.g., deferred annuity or pooled-risk designs).
- Collective longevity pooling/CDC elements to improve average conversion terms, with transparent, rules-based adjustments.
- Transparent charges-in-payment and conversion metrics to enable like-for-like comparisons at retirement.

Cross-cutting (both pillars)

- Standardised, outcome-oriented disclosures for costs, net outcomes and service KPIs.
- Digital tooling and targeted communications (projections, nudges, guidance/advice) to support timely, informed decisions.
- Scale and procurement discipline (particularly in occupational arrangements) to reduce unit costs and improve execution.

Supervisory enablers

- Proportionate, outcomes-focused oversight that permitted innovation while requiring clear governance, liquidity/valuation controls and evidence on member outcomes.

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 materially determine Value for Money (VfM) and overall outcomes across both occupational and personal DC arrangements and across accumulation and decumulation. Strong governance aligns decisions with members' interests, controls costs, and ensures that default investment and retirement-income pathways remain suitable, well-implemented, and clearly communicated.

We believe that VfM depends on boards (or providers) that are competent, accountable and outcomes-focused, on proportionate, risk-based supervision, and on transparent, standardised reporting and communications. Actuaries contribute across this chain by designing and testing defaults and income pathways, quantifying risks and trade-offs, and building VfM assessment frameworks that link costs, risk-adjusted returns and income sustainability to member outcomes.

A. Core governance features that improve VfM

- Clear fiduciary duties and independent challenge (including conflicts management), supported by documented policies and regular effectiveness reviews.
- Effective systems of governance and investment governance – Trustees/Boards maintain clear objectives for defaults and pathways, monitor tracking difference/costs, and review risk controls.
- Timely, accurate core transactions and strong data controls underpin member outcomes.
- Transparent, outcome-oriented communications. Members receive layered, timely information on options, fees and risks (especially at decumulation).
- The AAE stresses actuarial contributions to investment strategy setting, glidepath calibration, decumulation design (including longevity and sequencing-risk analysis), and VfM assessment methodologies.

B. Supervisory models that support VfM (proportionate and risk-based)

- Proportionate oversight that focuses on outcomes rather than process formality, consistent with IORP II principles and the member inputs. Supervisors should expect schemes to assess VfM holistically, with escalation for persistent under-performance.
- Data and disclosure standards that enable like-for-like comparisons (net outcomes, all-in charges, service KPIs), with assurance over reported figures. This supports competition on outcomes rather than headline fees.
- Thematic reviews and supervisory toolkits (e.g., on small-scheme VfM) that encourage consolidation/remediation where quality or scale is insufficient.

C. Distinctions by pillar and by phase

- Occupational DC: Collective governance and scale (e.g., master trusts or sectoral vehicles) improve procurement, implementation quality, and access to diversified return sources; boards oversee lifetime-income pathways and proportionate fees in retirement.

- Personal DC: Provider-driven models require stronger conduct supervision on pricing structures, advice/guidance standards, and disclosure clarity, especially at conversion/drawdown.
- In the accumulation phase, governance focuses on default suitability, risk management and delivery (cost control, tracking difference, rebalancing discipline). During decumulation, oversight ensures availability of sustainable income pathways, clear drawdown-risk disclosure, fair conversion terms, and charges-in-payment transparency.

Topic 6: Information provision and transparency

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?**

    We support layered, standardised and digital-first disclosures that focus on decisions members actually make, with content and timing tailored to each stage (pre-enrolment, in-scheme, pre-retirement, at retirement, post-retirement). Member inputs emphasise clarity on costs and outcomes, simple dashboards, and behaviourally informed prompts.

    <u>Before enrolment (key facts)</u>: purpose/eligibility, employer and member contributions (incl. missed employer match if opting out), default and alternatives, all-in charges and their long-term effect, and projected retirement income (EUR and % of pay) under stated assumptions.

    <u>After enrolment (always-on)</u>: secure digital access to balances, contributions/fees, standardised projections and risk ranges, with alerts at life events (job change, pay rise) to review contributions and investment choices.

    <u>Minimum dataset (standard template)</u>: contributions (employee/employer), total charges (TER), investment strategy/benchmark, net performance vs reference, projected income with low/central/high scenarios, and key rights (complaints/portability).

    <u>Behavioural & digital design</u>: default enrolment messaging, prominent "cost-to-income impact" visuals, action-oriented nudges (e.g., "+1% contribution → +€X/month at retirement"), and PTS integration to aggregate all entitlements.

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?**

    We support PTS-centred, behaviourally informed communications that convert information into timely action on contributions, investment choices, and retirement-income pathways.

    <u>Role and Features of PTS:</u> The AAE supports PTSs that aggregate entitlements across pillars, display projected retirement income/replacement ratios with risk ranges, highlight gaps, and provide next-step prompts (e.g., increase contributions by +1pp, adjust retirement age, review asset mix). Visuals such as gauges/traffic lights, personalised €-impacts ("+1% adds €X/month"), and mobile dashboards keep awareness continuous, not annual.

Behavioural Techniques: Communications use simple language and visuals, timed nudges around pay rises and life events, and default/opt-out mechanisms (e.g., auto-escalation) where permissible. Messages should effectively convey the long-term impact of under-saving (addressing loss aversion) and make adequacy thresholds salient with proactive prompts. Schemes should periodically ask members their target pension, anchoring choices and engagement.

Good Practices to Reach the Under-Saved: Layered information with scenario projections (different contribution rates/retirement ages), clear fee and risk explanations, embedded education modules in portals, and personalised nudges improve comprehension and action. PTS/dashboards reduce fragmentation and help members see the whole-of-pension picture to avoid inertia.

Metrics and Transparency: Replacement ratio metrics and risk indicators (e.g., one-year investment risk; uncertainty around the projected ratio) could help members understand variability and take informed decisions.

Crucially, the PTS must transparently present the long-term impact of costs and charges, particularly for Defined Contribution (DC) schemes, to enhance trust and member understanding of the actual value for money.

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?**

The AAE supports a holistic toolkit of practical, data-driven instruments that identifies adequacy drivers and barriers, thereby helping Member States design and enhance supplementary DC pensions and improve their Value for Money (VfM).

Tools Already in Place: Existing resources provide a factual base for problem-diagnosis without imposing new reporting burdens:

- National PTS/Dashboards: Tools like Germany's Digitale Rentenübersicht, which consolidate entitlements across pillars, are key to revealing individual adequacy gaps.
- Macro/Sectoral Studies: Existing work by EIOPA and the OECD on pension-gap analysis and comparability of costs.
- Supervisory Statistics: Regulatory data on coverage, contributions, costs, and returns provides valuable benchmarking insights.
- Existing Statements/Platforms: Data platforms that capture and evidence actual saving, opt-out, and contribution patterns.

Core Barriers:

- Behavioural inertia that can lead to failure to make active saving choices, which can be mitigated by effective nudges.
- Gaps between actual saving rates and the rates required for adequate replacement income.
- Lack of comprehension regarding risk, investment choices, and the long-term impact of fees (financial literacy gaps).

Tools to be developed / adopted: The focus must be on developing forward-looking, actionable, and standardised tools:

1. **Standardised Projection Engine:** A system leveraging central economic/mortality assumptions and predefined scenario bands, for use across all providers. This could enable consistent replacement-rate projections and risk ranges.

2. **National Adequacy Dashboards:** Tools that merge PTS data with tax, income, and labour-market information to flag statistically at-risk cohorts (e.g., self-employed, career-break carers) and track real-time adequacy trends across the population.

3. **Behavioural Intervention Toolkit:** A curated set of templates for nudges, timely communication prompts, and tested default/opt-out options, embedded directly into member portals and statements, supported by evidence from A/B testing.

4. **Supervisory Data Templates:** Standardised templates for core VfM metrics (coverage, contributions, all-in charges, net returns vs. benchmarks) to enable benchmarking.

5. **Open APIs and Data Standards:** Protocols to efficiently connect providers to PTS and third-party analytics tools, supporting data portability, low-friction member journeys, and innovation.

Actuaries play a critical role across this toolkit, leading on assumptions governance, projection model calibration, development of robust adequacy metrics, cohort analytics, and the evaluation of policy levers (auto-enrolment, matching contributions, escalation).

Topic 7: Emerging trends, regulation and supervision

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 technology, particularly the deployment of AI, can materially enhance Value for Money (VfM) and long-term adequacy in supplementary DC pensions, provided governance keeps pace. More broadly, several important efficiency gains in DC administration arise not only from AI but from wider IT modernisation—such as cloud infrastructure, distributed ledger applications, mobile interfaces and improved database and web-development tools. These technologies alone can materially lower operating costs, strengthen competition, and improve member information services (including PTS and dashboard solutions) even without the use of AI.

Positive Impacts & Opportunities

AI-enabled efficiency and service will lower operational costs (e.g., triage/chatbots) and improve fraud detection. In investment, data-driven risk management and dynamic glidepaths will significantly enhance net member outcomes. Digitalisation at scale will simplify onboarding and communication, boosting scheme participation and member engagement. Sophisticated analytics will also improve investment risk mitigation, such as sequencing risk.

AI can be used in member communications to explain options simply, integrate cross-pillar data in dashboards (PTS), and highlight adequacy gaps with prompts, all subject to human-in-the-loop guardrails. In Investment and Risk, actuaries can use AI-assisted scenario and stress testing to monitor risks and support outcome-based oversight. Supervisors must adopt clear Model and Data Governance standards, clarify accountability, and embed cyber resilience across the industry while encouraging innovation that can help to improve member VfM.

Risks and Mitigation

- Automated advice and sensitive data concentration raise operational and conduct risks.
- Overlapping rules (e.g., complex ESG rules) can raise compliance costs. Proportional, outcomes-focused supervision is vital for maintaining VfM.
- Prolonged low real yields or structural volatility constrain return potential. Mitigation requires diversified strategies and realistic, transparent communication on risk.

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?**

Prudential regulation and supervision must evolve, but sparingly and proportionately, to support the development of effective supplementary DC pensions while ensuring robust member protection. The focus should shift from process-heavy compliance to enhancing outcomes, governance quality, and accountability across both the accumulation and decumulation phases.

Key Principles for Evolution:

1. Outcome-Based Supervision and VfM:
    - Regulation should prioritise the maximisation of Value for Money (VfM) and the prevention of excessive or unbalanced risk-taking on behalf of members.
    - Supervision must focus on effective governance and board accountability, ensuring that scheme design, investment strategy, and administration directly support adequate retirement income levels.
    - While supporting innovation, regulation must prevent undue transfer of risk to members without appropriate safeguards.
2. Supporting Long-Term Investment:
    - The design of accumulation and decumulation glidepaths is paramount for good member outcomes.
    - Supervision should facilitate long-term investment strategies, including any appropriate allocation to alternative assets (c.f. EC Consultation on Supplementary Pensions).
3. Strengthening Operational and Technology Resilience:
    - Operational resilience—including cyber security, data quality, outsourcing, and disaster recovery—should be significantly strengthened to protect schemes and members from non-financial risks.
    - Supervisors should establish clear model governance standards for AI and automated advice, aligning with the principles of the EU AI Act (transparency, human oversight, and accountability).
4. Data Standards and Transparency:

- Simple, standardized data requirements and disclosures are essential to enable effective supervisory benchmarking of key VfM metrics (costs, returns, coverage, and adequacy risk).
- Clear data standards should also facilitate member comparability and the function of national Pension Tracking Systems (PTS).

5. <u>Actuarial Oversight:</u>

    - The evolution of prudential rules should leverage enhanced actuarial monitoring, particularly concerning adequacy metrics and the asset-liability modelling of future benefit commitments, especially for risk-sharing mechanisms like Collective DC (CDC) schemes, where appropriate frameworks can be encouraged.

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?**

Conduct regulation should remain fundamentally stable and proportionate, prioritising consistent enforcement of existing consumer protection rules over adding new layers.

Key Areas for Conduct Focus:

1. All parties managing DC plans must be fully competent and act in members' best interests. Supervision must facilitate the proportionate outsourcing of responsibilities (e.g., investment, administration) for smaller schemes via clear guidelines, ensuring consistent standards are maintained.
2. Informed member decisions require the robust enforcement of transparent and comparable disclosures on all-in costs, charges, and net performance. This should be a fundamental aspect of required conduct.
3. As schemes embrace digital platforms and automated advice (AI), supervision must address risks like bias and misadvice. Accountability and human oversight for personalized guidance must be clarified, aligning with the EU AI Act.

Other comments

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? If yes, please provide these other comments and suggestions.**

The AAE stresses that the future DC toolkit's success hinges on fostering public trust and recognising retirement income as a shared social responsibility. Regulation must focus on stability, fairness, and transparency, ensuring citizens feel ownership and reassurance rather than complexity.

1. Communications must be transparent about statutory benefit limitations, clearly conveying the personal responsibility required to secure adequate income.
2. Digital innovation (Q18, Q19) must be leveraged for efficiency and simple, timely communications. Supervisory guidance should support proportionate governance to maintain Value for Money (VfM), ensuring compliance costs do not diminish member outcomes.

3. Ultimately, EIOPA should focus on practical tools that support consistent outcomes (adequacy, VfM, security) across Member States, while respecting the need for tailored national solutions.