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EIOPA Consultation on the DC Pensions Toolkit

Summary of key messages from the AAE response





Consultation	Submission	Consultation Webpage / AAE Response	
EIOPA Consultation on the DC Pensions Toolkit	3 November 2025		

Summary of Main Messages:

- **Outcomes first:** The DC Toolkit should prioritise *adequate and sustainable retirement income* and Value for Money, rather than focusing solely on participation or product features.
- **Defaults matter:** Automatic enrolment, meaningful employer contributions, and automatic escalation are the most effective levers to improve coverage and contribution adequacy.
- **Workplace as the anchor:** Occupational DC should remain the primary delivery channel, with personal pensions playing a complementary, gap-filling role.
- **Scale improves outcomes:** Economies of scale are essential to lower costs, strengthen governance, and enable better long-term investment strategies.
- **Income-focused retirement:** Decumulation should be anchored by default pathways that deliver lifelong income, with flexibility provided in a controlled and transparent way.
- **Proportionate, outcomes-based supervision:** Regulation and supervision should support innovation and long-term investment while remaining principles-based and proportionate.



1. Purpose and overall framing

- The DC Toolkit should be outcomes-focused, aiming at adequate, sustainable retirement income, not just participation.
- Flexibility is essential to reflect national pension systems, labour markets and first-pillar design.
- The Toolkit should remain non-binding and principles-based, avoiding prescriptive rules that could reduce Value for Money (VfM).

2. Coverage, participation and contribution adequacy

- Automatic enrolment with opt-out is the most effective mechanism to raise participation, especially among young and low-paid workers.
- Employer contributions and matching are critical to contribution persistency and adequacy.
- Automatic escalation (linked to pay rises or tenure) helps close adequacy gaps without complex decision-making.
- Systems should avoid duplication where workers already participate in adequate occupational schemes.

3. Role of occupational vs personal DC pensions

- Occupational DC should be the primary delivery channel, leveraging the workplace for scale, governance and sustained contributions.
- Personal pensions (incl. PEPP) should play a complementary role, covering gaps and enabling voluntary top-ups.
- Employers and social partners are key to trust, contribution discipline and effective communication.
- Collective features (e.g. CDC-type mechanisms) can improve outcomes without hard guarantees, where nationally appropriate.



4. Inclusion of non-standard workers and the self-employed

- Participation improves with portable personal accounts, digital onboarding and low-friction administration.
- Default entry points should be linked to non-employer touchpoints (tax filing, platform registration).
- Income-aware flexibility (variable contributions, contribution holidays, micro-saving) is essential.
- Cost control is critical: even small fee reductions materially improve long-term outcomes.

5. Career breaks, carers and vulnerable groups

- Pension systems should preserve saving continuity during parental leave, caregiving or unemployment.
- State or social-partner pension credits can mitigate long-term adequacy losses.
- Automatic re-enrolment on return to work supports persistency.
- Accessibility (plain language, multilingual, assisted channels) is essential for disabled and minority groups.

6. Scale, efficiency and portability

- Economies of scale should be an explicit design objective to improve VfM.
- Multi-employer schemes, master trusts and shared infrastructure reduce costs and improve governance.
- Switching and portability should be simple and low-cost, while protecting long-term investment strategies.
- Pension Tracking Systems (PTS) should prioritise information portability, with optional consolidation of pots.



7. Accumulation phase – investment design

- A high-quality default lifecycle strategy should be the core of DC design.
- Member choice should be limited and clearly differentiated to avoid decision fatigue.
- Risk-mitigation tools (smoothing, conditional indexation) may be appropriate in large schemes if transparent and well-governed.
- Governance should focus on net-of-fees outcomes, not product complexity.

8. Decumulation phase – retirement income

- Decumulation should be anchored by a default pathway targeting lifelong income.
- Member choice should exist within a structured framework, combining annuities, drawdown and limited lump sums.
- Early withdrawals should be tightly restricted, as they undermine adequacy.
- Communication should frame decisions in income terms, not capital values.

9. Value for Money (VfM)

- VfM should be assessed primarily through long-term member outcomes, not headline fees.
- A small set of quantitative indicators should be used:
 - All-in charges
 - Net performance vs reference portfolios
 - Contribution persistency
 - Income sustainability in retirement
- **Qualitative indicators** (governance, service quality, communication clarity) are equally important.
- Supervisory benchmarks should be **simple, proportionate and cohort-based**, avoiding over-engineering.



10. Information, communication and Pension Tracking Systems

- Disclosures should be layered, standardised and digital-first, aligned to life stages.
- PTS should show projected income and adequacy gaps, not just accrued balances.
- Behavioural nudges (e.g. “+1% contribution → +€X/month”) are highly effective.
- Transparency on cost impact over time is essential for trust.

11. Innovation, AI and supervision

- AI and digitalisation can lower costs, improve engagement and strengthen risk management, if well governed.
- Governance must ensure human oversight, transparency and accountability, consistent with the EU AI Act.
- Supervision should evolve toward outcomes-based oversight, focusing on adequacy, VfM and governance quality.
- Excessive prescription risks increasing costs and reducing member outcomes.

12. Final message

- The success of the DC Toolkit depends on trust, simplicity and proportionality.
- The focus should remain on practical tools that improve adequacy and VfM, while respecting national diversity.
- Actuaries play a central role in designing defaults, assessing adequacy and supporting outcome-based supervision.



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