

EU SUPERVISION

Europe's pensions puzzle

Earlier this year, the EU's auditors warned that EIOPA lacks the power to ensure consistent supervision across member states. So how can EIOPA – and Europe's other institutions – play a stronger role in shaping better pensions for citizens?

David Adams reports

The official mission statement of the European Insurance and Occupational Pensions Authority (EIOPA) is to advise the European Commission and the other institutions of the EU to help maintain the “stability, effectiveness and sustainability” of the financial system within the EU; and to promote “a sound regulatory framework and consistent supervisory practices in order to protect the rights of policyholders, pension scheme members and beneficiaries”.

EIOPA is a supervisory authority, not an EU-wide regulator; and pensions policy is under the control of individual EU member states, but EIOPA and other EU institutions are trying to address the pensions gaps appearing in most EU member states, as demographic and economic forces undermine the sustainability of long-established first pillar systems, while occupational and third pillar pensions systems and markets struggle to help close the pensions gaps.

In March 2025 the European Commission



launched a new Savings and Investments Union (SIU) strategy, to help boost economic growth, and digital and green transitions across the EU. It incorporates measures designed to encourage more use of auto-enrolment, pension tracking systems and dashboards; and reviews of the regulatory frameworks that support second and third pillar pensions, including treatment of Institutions for Occupational Retirement Provision (IORPs) and the Pan-European Personal Pension Product (PEPP).

EIOPA has embraced the strategy and will seek to help shape and deliver it. But in May it was condemned as being “in no position to ensure consistent supervisory practices across the EU”, in a report published by the European Court of Auditors (ECA). The ECA said EIOPA initiatives are not pursued by national authorities and the harmonisation frameworks it operates are inadequate. It stated that neither EIOPA nor the Commission have strengthened the role of occupational pensions, or boosted use of supplementary pensions, and highlighted the extremely limited take up of the PEPP to date. It made a series of recommendations intended to make EIOPA a more effective authority.

Despite the criticism it faces, EIOPA has endorsed the report’s conclusions and recommendations. But, as a spokesperson says, while EIOPA “remains committed to helping close the continent’s pension gap by enabling and supporting strong supervision of occupational pension funds... simple and portable savings products that offer good value for money, and enhancement of pension transparency... EIOPA can only carry out its activity within the limitations of the current legal framework”.

A national issue

But should changes to that legal framework include altering EIOPA’s role in pensions regulation and policy? PensionsEurope is one of a number of influential sector bodies that responded to the ECA report by stating that it did not support any further centralisation of IORP supervision at EU level: because IORPs are not harmonised entities and take different forms in different member states; and obligations associated with more harmonised supervision could increase costs, damage some IORPs and negatively impact outcomes for members and beneficiaries. While PensionsEurope believes



“WE THINK COUNTRY-SPECIFIC RECOMMENDATIONS COULD AND SHOULD BE USED MUCH MORE IN SUPPLEMENTARY PENSIONS”

Matti Leppälä, PensionsEurope
secretary general and CEO

effective supervision is essential, this must complement, not override, national supervisory and regulatory frameworks.

“We think that pensions are and ought to be first and foremost a national issue,” says PensionsEurope secretary general and CEO, Matti Leppälä. “EIOPA should not be making pensions policy. It’s there to supervise. In relation to second pillar pension funds under the IORP Directive, EIOPA can give guidance and issue opinions. But often they act as if they were a regulator.” He thinks it is difficult for some working at EIOPA to accept that the authority has to treat pensions in a different way to the insurance or asset management industries.

Germany’s occupational pensions membership association Arbeitsgemeinschaft für betriebliche Altersversorgung (aba) noted, in a paper responding to the ECA report, that some of its recommendations “imply a shift in competence from member states and national competent authorities to EIOPA”. This, the aba suggests, “risks extensive reporting obligations for IORPs, with questionable cost-benefit ratios”. It described any call for greater supervisory convergence via EIOPA as “misguided”.

“EU supervisory regulations aiming at convergence may suit insurers, banks and fund managers – but not IORPs, whose directive aims for minimum harmonisation,” the aba paper stated. “The next revision of the EIOPA regulation should reflect this differentiated approach.”

This is also the view of the European Association of Paritarian Institutions (AEIP).

“National competent authorities are best placed to carry out supervision,” says AEIP policy adviser on pensions and financial affairs, Roberto Silvestri. “We don’t envisage more supervisory convergence at EU level.”

Meanwhile, in late 2024, EIOPA





produced a paper outlining its views on why the PEPP has struggled to attract more consumers or providers and how those difficulties might be overcome. Factors blamed for a lack of progress to date included low participation in supplementary pensions in general, and the challenges of promoting the PEPP in competition with nationally-based third pillar products, which may offer tax incentives to consumers.

Among a series of proposals EIOPA lists to boost PEPP take-up are combining occupational and personal PEPPs into a single product, thus combining tax-efficient employer contributions with consumers' personal contributions; and making national sub-accounts voluntary, meaning it would not be compulsory to use the PEPP as a cross-border product. It also noted that continued development and roll-out of both pension tracking systems and pension dashboards could help boost demand.

Other observers have different views. The aba paper responding to the ECA report, for example, highlights "the incorrect assumption that this EU product fits into the existing pension systems of all member states and contributes to the expansion of funded pension provision". The PEPP is an idea that may yet become more useful, but many in the industry seem perplexed as to why EIOPA sees it as a high priority at present.

Other ways to make a positive contribution

Leppälä suggests that EIOPA and other EU institutions tend to have had a more positive impact on pensions when focusing on supporting first pillar provision in some member states.

"Where the EU facilitates coordination of social security pensions with country-specific recommendations, that has led to policy changes in many countries," he says. "That's up to member states, but most have changed the state retirement ages and have improved financial sustainability of the first pillar. We think country-specific

recommendations could and should be used much more in supplementary pensions."

The Dutch Federation of Pension Funds (Pensioenfederatie) chair, Ger Jaarsma, also believes the EU and the European Commission could do more to support reform and improvements to pensions systems in individual member states.

"The success of developing funded pensions largely depends on member states," he says. "The IORP II Directive applies a minimum harmonisation principle and that should be maintained."

"At the same time, the European Commission could and should do a great deal to promote funded pensions in member states where they are underdeveloped. [Pensions] should receive a more prominent role in the European Pillar on Social Rights Second Action Plan; and pension adequacy should be integrated in the European economic governance framework. Progress on pension adequacy should be part of the preventive and corrective rules of the Stability and Growth Pact."

In short, the majority view appears to be that while the fundamental principles and aims of EU member states pension systems may be shared, along with some supervision of, and support for pensions industries within individual states, neither regulation nor policy can be centralised.

EIOPA can still make a very positive contribution to the development of pensions provision in each of the three pillars, but the idea it could ever act as a regulator is unrealistic, says Deloitte Consulting partner and head of the Total Rewards practice in Germany, Peter Devlin. "Pensions are ultimately a tax issue, and tax issues are decided at a country level," he says. "You will never get harmonised tax regulations in the EU. Not in my lifetime, and I'm not that old."

He believes one of the most important ways EIOPA can help boost pension provision across the EU is by simplifying the regulatory environment.

"Simplification is important; not making it overly complicated or risky from a funding perspective to actually provide a pension," he says. "You can't build a pensions system where you're constantly changing the rules." That, perhaps, is a principle that the undoubtedly well-intentioned people working for the European Commission and EIOPA would be wise to remember.



"YOU CAN'T BUILD A PENSIONS SYSTEM WHERE YOU'RE CONSTANTLY CHANGING THE RULES"

Peter Devlin, Deloitte Consulting partner and head of the Total Rewards practice in Germany