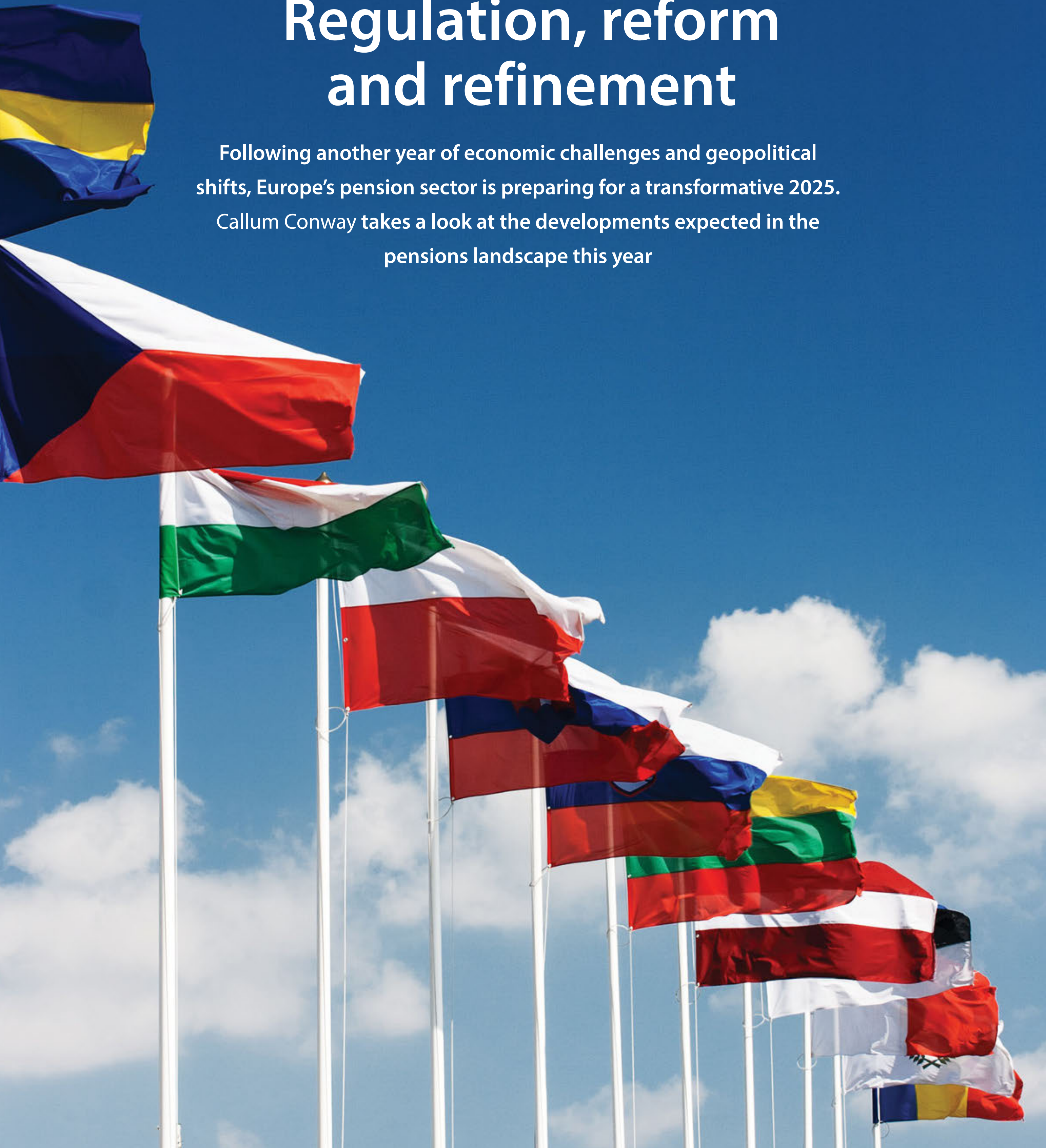
2025 PREVIEW

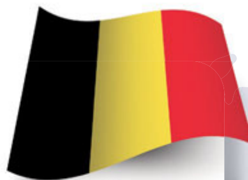
Regulation, reform and refinement

Following another year of economic challenges and geopolitical shifts, Europe's pension sector is preparing for a transformative 2025. Callum Conway **takes a look at the developments expected in the pensions landscape this year**



Last year saw the continuation of geopolitical tensions, political fragmentation, and stagnant growth across Europe, causing persistent challenges for the pensions industry. However, there is cause for optimism, as pension funds navigated difficult waters with resilience and emerged with improved funding levels and new market opportunities. *European Pensions* looks ahead to potential developments in 2025 on a country-by-country basis.

Belgium



The newly formed Belgian government, led by Prime Minister, Bart De Wever, has outlined key priorities including pension reforms and tax adjustments, following months of political deadlock and coalition negotiations.

WTW Belgium director pension brokerage, Olivier de Vooght, says the new administration aims to be a 'reform' government, focused on reducing the budget deficit, with some structural reforms in the labour market, pensions and taxation.

"They believe in getting more people into work, keeping them there for longer and are targeting a sustainable and harmonised statutory pension system for employees, civil servants and self-employed persons to keep statutory pensions affordable."

In addition, significant changes to Belgium's pension system, which were passed by parliament in April last year, have now come into effect. This includes a new bonus-malus system, which will penalise those who opt for early retirement and a mandatory supplementary pension with a minimum employer contribution.

Under the new laws, early retirement will face stricter conditions, with pensions reduced by 2 per cent (2026–2030), 4 per cent (2030–2040), and 5 per cent (from 2040) per year of early retirement if new work requirements aren't met.

By 2035, a mandatory supplementary pension with a minimum employer contribution of 3 per cent of gross wages will also be implemented.

This year, companies will continue to search for the ideal solution for their supplementary pensions and adapt them further to the changing dynamics of the labour market, according to De Vooght.

France

In January, French Prime Minister, François Bayrou, announced his intention to renegotiate pension reforms, after a law raising the retirement age from 62 to 64 in 2023 sparked widespread strikes and protests.

A 'conclave' has already begun discussions to shape a reform acceptable to all stakeholders, according to Mercer France retirement consulting director, Vincent Lebailly.

However, he claims immediate implementation is unlikely, as any changes are expected to impact retirees born in 1964, who will start retiring in 2027.

"Reforms will need to ensure the financial equilibrium of the system, which presents significant challenges.

"Adjustments to funding mechanisms, such as increasing contributions or modifying retirement age, could provoke political and social resistance. The taxation of retirees has already emerged as a contentious issue.

"Potential reforms may affect businesses by changing employer contributions and incentives for retaining older employees. Pension funds would also need to update management software and processes to comply with new regulations, which could lead to technical and administrative delays."

The current pension system operates on a pay-as-you-go model, meaning active workers' contributions finance retirees' pensions.

While these issues remain unresolved, 2025 is expected to be a year of political debate and financial reassessment for pension schemes.

"The system's financial sustainability remains a central concern," continues Lebailly, highlighting France's declining birth rate, which will make the system "increasingly challenging".

The UK

This year will see the UK's pension industry continue its shift toward consolidation, with a growing number of master trusts dominating the DC landscape. The government's push for pension funds to support infrastructure and business growth also remains a central theme, with reforms aimed at unlocking capital for productive finance investments.

"In 2025, we can expect to see the government's reforms to workplace pension provision come into full effect," PMI director of policy and external affairs, Tim Middleton, says.

"In the private sector, we have commenced the transition towards a more Australian style of pensions culture, with consolidation of existing master trusts leading to a small number of very large schemes."

TPT DC director, Philip Smith, suggests that the most significant changes will likely come from the government's Pensions Investment Review.

"While the second phase of the review is on hold, the first phase could force consolidation in the industry to drive investment in UK productive assets. The economies of scale from consolidation could improve investment opportunities and governance, but concentration risk, reduced innovation, and systemic risks must be carefully considered," he says.

"The new Pensions Bill could include simple policy adjustments that encourage DB schemes to run-on for the longer term," adds Insight Investment head of solution design, Jos Vermeulen.

"This would not only provide a short-term boost to the economy but also make a meaningful contribution to preserving the financial strength of the UK for generations to come. It would also mean DB schemes could continue to support the gilt market, which underpins the taxes we pay, the cost of doing business in the UK and the cost of mortgages."

Meanwhile, the initial cohort of pension providers and schemes is expected to connect to the new pensions dashboard ecosystem in April.

The Netherlands

The deadline for all schemes to transition to the new Dutch pension system is 1 January 2028, but with many setting 1 January 2026 deadlines, this year will see schemes ramp up their preparations for the transition. The reform introduces three defined contribution schemes: A solidary contribution scheme, a flexible contribution scheme, and the contribution-payment scheme.

Mercer pensions consultant, Marc Heemskerk, says that, in practice, the transition will not represent a significant change for pensioners.

"Our current DB system is collective DC, with a fixed premium and no 100 per cent benefit guarantee. And the new DC system that we are moving to, in general, has buffers to prevent pension cuts for pensioners. For participants, there will be more risk at a young age and lower risk at a high age; not one size fits all."

Heemskerk believes it will be challenging for pension schemes, boards, and social partners to prepare systems, update regulations, and communicate the changes to participants. Nonetheless, he remains optimistic that the outcome will be positive for pensions in the Netherlands.

"It will be a lot of work, and the devil is in the detail, but when it's over, we will still have the best pension system in the world. The high premium will be unchanged, the two pillars will stay, and the DC changes will help savers to understand the system better."

Meanwhile, after six postponements, the introduction of the lump-sum is due to arrive in July, which means a participant can withdraw a maximum of 10 per cent of their pension for themselves in one go.

"That is serious money," says Aon Netherlands CEO, Frank Driessen. "Not all participants can always properly foresee the consequences. This calls for good communication and choice guidance. Every participant should therefore have a personal interview before retirement to be able to prepare themselves properly and to be able to make the right choices."

Ireland

The year ahead is expected to be busy for Ireland, with the launch date of auto-enrolment (AE) set for September 2025, following numerous delays.

While its introduction could have a "transformative effect" on pensions coverage, WTW head of corporate consulting, Brian Mulcair, notes that the government has amended the typical AE blueprint.

"It proposes two very different pension savings systems operating alongside one another – the existing retirement savings regime and the new central government AE scheme. It also does not facilitate employers auto-enrolling existing employees in their occupational pension schemes. The introduction of a 'dual pensions system' will introduce a lot of complexity for both employers and employees."

Mercer partner, DC and private wealth market leader, Caitriona MacGuinness, adds that many employers, having invested a lot of time, effort and cost into their pension plans are understandably keen to avoid having to deal with two pension arrangements operating in parallel.

"There are several fundamental differences between the two systems and limited ways in which they can interact, creating potential administrative complications, and possible confusion for staff."

Despite concerns with the AE system, Mulcair still expects its impact to be positive for the industry.

"The government has estimated that approximately 800,000 workers will be automatically enrolled in the scheme, ensuring more funds are set aside for retirement and pension coverage, which will increase significantly for private sector workers."

MacGuinness agrees, describing it as "the most significant change for Irish pensions in a generation".

"This is expected to impact most employers, not least in terms of the short-term financial implications, but also operationally for employers who already provide occupational pensions and/or where there are material numbers of workers not already saving in a plan," she says.

Finland

Finnish Prime Minister, Petteri Orpo, set out a plan for pension reform in his June 2023 *Government Programme*, tasking the social partners with making reforms equating to 0.4 percentage points of GDP, around €1 billion, with a deadline of 25 January 2025.

The outcome of the negotiations was agreed upon by the employees' confederations, employers' organisations, and the government, one day before the deadline.

Key outcomes include reforming the investment regulation of occupational pension insurers to allow more equity exposure and introducing a third automatic stabiliser – the inflation stabiliser.

Veritas CEO, Carl Haglund, says the reforms will allow pension insurance companies to increase their share of equity investments by about 10 percentage points.

"The planned changes also enable pension investors to hold the increased risk level in more adverse market conditions and avoid forced sales in bad times. In the long term, the increase should bring about higher returns, but the flip side means more volatility," he says.

However, Keva chief economist, Joonas Rahkola, says the changes agreed upon will take place "later," as the government proceeds with drafting the legislation, which will take "some time." Haglund agrees, suggesting that changes to the pension system will be enforced from 2027.

In the meantime, the government has also initiated an assessment of the 'YEL' system development needs. The report is scheduled to be completed by 30 November 2025, and the findings are likely to form the basis for further pension reforms.

Furthermore, Keva, Finland's public sector pension administrator, will see the transfer of its supervision from the Ministry of Finance to the Financial Supervisory Authority (FIN-FSA) this year. The shift aligns Keva with private sector pension funds, already under FIN-FSA's supervision. Previously, FIN-FSA only oversaw Keva's investment activities.