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## **Response to the European Commission's Call for Evidence on Supplementary Pensions – Review of the regulatory framework and other measures to strengthen the sector**

The Communication on the Savings and Investments Union highlights the pivotal role of supplementary pensions in ensuring adequate retirement income and building institutional investors to support EU competitiveness. This goal, outlined since the 2015 and 2020 CMU action plans, requires a new level of ambition and concrete action, especially from Member States which retain exclusive competence over pension system design.

The EU can play a key supporting role, particularly by guiding and facilitating national reforms. Legislative initiatives (IORP II Directive and PEPP regulation reviews) should aim to simplify existing rules, not add new burdens. Overregulation is not the path to increased take-up of supplementary pensions or stronger consumer protection.

In our view, two reforms - if clearly framed and properly implemented - can significantly improve the coverage and efficiency of supplementary pension systems:

- **Automatic enrolment:** to counter inertia and procrastination, automatic enrolment with opt-out should be introduced. The mechanism should be adapted to existing national schemes and not require the creation of new a public scheme. The Commission could promote it, at least as a general principle, within IORP II Directive, in line with the Recommendations 2 of the *OECD Good Design of Defined Contribution Pension Plans*, while fully preserving Member States' autonomy in deciding whether and how to implement such a mechanism.
- **Life-cycle default strategies:** automatic enrolment needs a default investment option. Life-cycle strategies adjust the risk profile over time, offering the potential for higher long-term returns and enabling greater equity exposure in pension portfolios.

These pillars, if supported by:

- appropriate tax incentives,
- clear and accessible information (e.g. through pension tracking systems),
- and flexible decumulation options (avoiding an excessive focus on annuities),

can create a more inclusive and attractive pensions landscape.



To provide feedback across all the areas covered by the Commission's initiative, we set out the following considerations and proposals:

### **1. IORP II Directive**

- The revision should preserve the minimum harmonisation approach.
- Diversified portfolios, including unlisted securities and alternative assets, can enhance long-term returns, but should remain a medium- to long-term objective. Their adoption depends on adequate scale, expertise, and the presence of well-developed private markets.
- In the short term, it may be more realistic and appropriate to focus on increasing participation and raising exposure to listed equity through the implementation of automatic enrolment and life-cycle investment strategies.
- IORPs must retain full discretion under the prudent person principle, in order to act in the best interest of members and beneficiaries. The regulatory framework should not impose obligations to invest in specific assets or set minimum allocations.

### **2. Personal pensions and the PEPP**

- Personal pension products are essential, especially for workers not covered by occupational schemes.
- PEPPs could contribute to this objective and be more effective if simplified by removing:
  - the fee cap for the Basic PEPP.
  - the requirement for mandatory advice for the Basic PEPP.
  - the obligation to open multiple sub-accounts.
- PEPPs could be offered in the workplace to extend coverage but should complement and not replace or compete with IORPs.
- The aim should not be to generate competition with national schemes but to allow eligible existing products to transition into PEPPs.

### **3. Pension Tracking System**

- Pension tracking systems are essential to improve citizens' understanding and awareness of their pension entitlements. They should therefore be made more widely available and include information on all pillars of the pension system.