

EC Targeted Consultation on supplementary pensions

Response Deutsche Börse Group

1. Pension tracking systems

Question 1: Do you consider that the pension tracking system in your Member State functions well?

- Yes
- No, it should be extended/improved
- No, my country doesn't have a tracking system
- No opinion

Please elaborate your answer. In case you are not satisfied, please indicate which features should be improved or added.

The German public retirement insurance (Deutsche Rentenversicherung) provides a digital pension overview. Citizens can inform online about their individual entitlements after retirement, including statutory, occupational, and private pension schemes at a glance. However, the platform remains unfamiliar to many people, and entering data from statutory, private, and occupational pension plans is complex and time-consuming. Furthermore, not all retirement products are yet included.

Questions 2 to 4: No comments

2. Pension dashboards

Questions 5 to 6: No comments

3. Auto-enrolment

Questions 7 to 11: No comments

4. Review of the PEPP Regulation

Question 12: In your view, does the current structure of the Basic PEPP allow for wide uptake by savers across the European Union, helping to ensure adequate income in retirement while also contributing meaningfully to the objectives of the Savings and investments union?

- Yes
- No
- No opinion

Please elaborate your answer. What changes, if any, would be necessary to enhance the attractiveness of the Basic PEPP for both providers and savers?

Several obstacles have prevented the successful establishment and the broad acceptance of PEPP. Root causes are different tax regimes, regulatory hurdles, and specific legal requirements in the Member States that impede cross-border investments. In addition, a lack of equity culture in some Member States, and the low depth of EU capital markets exacerbate the challenges.

One approach forward could be to reform the PEPP in the direction of an "EU 401(k) model" similar to the US model. Employees can contribute a portion of their salary, and benefit from tax advantages. In addition, employers should also be encouraged to make additional contributions by granting tax incentives. To facilitate investments in the capital market, the structure follows a defined contribution scheme.

However, we believe that the establishment of savings and investment accounts (SIA) would be the better lever to mobilize private capital, increase retail investor participation, improve market liquidity, and strengthen the European real economy. Therefore, we welcome the European blueprint for savings and investments accounts. Features should include:

- **Simple and digital approach:** In order to ensure broad acceptance and coverage, the digital account and its options must be easy to understand, with low complexity, particularly when it comes to the choice of financial instruments, tax implications, and a quick opening process. The account should be integrated into Member States existing pension systems and take into account existing savings and investment accounts.
- **Flexible choice of financial instruments:** Eligible financial instruments should include shares, ETFs, ELTIF, bonds as well as exchange traded and centrally cleared derivatives.
- **Trading on transparent multilateral markets:** To ensure market integrity, price formation, transparency and investor protection, financial instruments should be traded exclusively on multilateral trading platforms and not via bilateral execution.

- **Tax incentives:** A beneficial and simple tax treatment is a necessary factor for the success of the account. Possible options include a lower flat tax, higher allowances for capital gains, or tax exemptions after certain holding periods.
- **Optional government subsidies:** If possible, Member States should consider providing further incentives by granting subsidies to increase attractiveness for lower-income individuals to participate in the capital market. Furthermore, the accounts could start with a one-time or recurring subsidy for children to achieve returns as early as possible and to pave the way to the capital market.
- **Flexible payout options:** With the beginning of the payout phase, the option to choose between a lifetime annuity or an individual payout plan would significantly increase the flexibility of private pension provision.
- **Supporting the European economy:** The account should be free of any geographical investment obligations. It is well known that retail investors have a home bias. Thus, it can be assumed that better capital mobilization will automatically channel more capital in European companies. However, we believe that the European economy would benefit from incentives to invest in ELTIFs, AIFs or future European fund structures.
- **Broad accessibility/flexibility/portability:** To ensure a sufficient level of capital stock at retirement, accounts should not be designed with restrictions on the amount that savers can invest annually or over their lifetime. Further, light withdrawal restrictions would increase competition between providers and reduce negative impacts on savers if they are not satisfied with their product choice or provider, or if the investment preferences have changed over the course of their lives.
- **Campaigns for financial education:** Citizens often feel inadequately informed about investing. Therefore, the EU should in collaboration with the industry launch financial education campaigns and offer comprehensible information packages to support the acceptance of the account. These campaigns could turn out to be most efficient when conducted under school/university/employment schemes.

We believe that a well-designed SIA could replace the PEPP or at least ensure that PEPP could be purchased via the SIA. However, this would probably not change the existing challenges with different legal regimes.

Questions 13 to 20: No comments

Question 21: Do you consider that the Basic PEPP should be explicitly open to use in a workplace context?

- Yes
- No
- No opinion

Please elaborate your answer. If yes, should this involve just explicitly allowing employer contributions or offering the Basic PEPP as an employee benefit while retaining its character as a personal pension product, or should it be adapted to function also as an occupational pension scheme? What regulatory changes would be necessary to enable either of such options, if any?

As mentioned in our response to Question 12, PEPP should be reformed towards an “EU 401(k) model”.

Questions 22 to 33: No comments

5. Review of the IORP II Directive

Question 34: Do you consider that a diversified portfolio of assets, including also investments in unlisted securities or alternative assets classes (with proper management and adequate risk safeguards) could enhance long-term returns for scheme members and beneficiaries?

- Yes
- No
- No opinion

Please elaborate your answer. Please justify your answer based on data, if available. Furthermore, please elaborate what are in your view the risks and benefits associated with a share of IORPs assets being allocated to alternative assets, and which alternative asset classes would be more suitable and how would hereto related risks be best managed.

DBG believes that IORPs should have the option – not the obligation – to invest in the broad and diversified portfolios. Therefore, we would also include unlisted securities or alternative asset classes in the scope. This would also have the advantage of allowing end clients to indirectly invest in asset classes that are usually not available to them for purchase.

In general, investment limits should be critically assessed and only used to ensure effective and targeted investor protection. However, especially with long-term investments, the best interests of savers are often better served if asset managers have sufficient flexibility in portfolio selection to adequately exploit opportunities. A strategy that is overly focused on safety and guarantees leads to low returns and is often not suitable for ensuring adequate retirement provision.

Question 35: Are there in your knowledge any national quantitative or other type of investment rules imposing overly restrictive limits on investments in alternative assets?

- Yes
- No
- No opinion

Please elaborate your answer. If yes, what is the rationale for such limits and should Member States continue to be allowed to impose such limits, despite the reliance on a risk-based supervisory approach? If investment limitation rules continue to be allowed under the IORP Directive, do you consider it important to place limits on overly restrictive national rules in certain asset classes, including unlisted assets? Please also indicate which types of restrictions you consider most problematic and how they could be addressed without undermining appropriate risk control.

Germany has largely implemented the IORP Directive 1:1, but has regulated the investment limitation rules rather narrowly. DBG believes that, in general, investment limits make sense to ensure a diversified portfolio. However, we believe that the scope for country-specific design is too wide, and we would propose greater harmonization to enable a level playing field for IORPs. Especially, the 70% limit for pension schemes for investments in shares (Art. 19 para 6 point (a) IORP Directive) together with the Member States option to apply a lower limit no lower than 35% should be more harmonized by developing the minimum limit in the direction of the 70% limit.

Question 36: Do you consider that other factors, such as limited IORPs' expertise with unlisted asset classes, may contribute to the low level of diffusion of these investments among IORPs?

- Yes
- No
- No opinion

Please elaborate your answer. If yes, please indicate which other factors you consider most relevant and whether and how they could be addressed in the context of the review of the IORP II Directive.

We believe this is less a matter of low levels of diffusion than of cultural differences within Member States regarding investment philosophy and capital market use. This affects not only investors but also institutions, which, especially in Germany, still pursue conservative investment strategies with low investments in equities or alternative investments.

Questions 37 to 38: No comments

Question 39: Do you consider that national competent authorities are adequately equipped under the Directive to oversee that assets are invested in the best long-term interests of members and beneficiaries as a whole?

- Yes
- No
- No opinion

Please elaborate your answer. Do you believe that national competent authorities should have an explicit mandate to oversee and, where appropriate, intervene in order to help ensure that supplementary pension schemes deliver adequate investment returns for members and beneficiaries? If yes, what tools or powers should supervisors be equipped with to address situations where schemes systematically fail to deliver good outcomes?

We believe that the supervisory powers of the national competent authorities are less decisive for the weak distribution and low profitability of IORPs. Furthermore, we believe that the specific choice of assets and long-term return expectations should be left to the providers and the demand of the end clients. With a proper framework regarding investable asset classes, reasonable investment limits, and further reform proposals, which we present under questions 54, long-term interests of the end clients should be well reflected.

Question 40: Do you consider that the scale of many IORPs may affect their overall investment capacity, for example by reducing their ability to build a diversified portfolio, hindering the performance of the schemes due to cost inefficiencies, or by creating other inefficiencies?

- Yes
 No
 No opinion

Please elaborate your answer. If yes, are you aware of any best practices which can facilitate the build-up of scale in the IORPs sector (e.g. asset pooling, fiduciary management, outsourced chief investment officer, multi-employer schemes, master trust arrangements) In particular, are you aware of any obstacles or difficulties (including but not limited to cross-border issues) preventing scale-up or any of the above-mentioned practices? Please indicate if and how the review of the IORP II Directive can foster the take up of such practices or otherwise contribute to the potential scale-up of workplace pension schemes?

According to the EIOPA 2023 Report and the European Commission's targeted consultation, the IORP landscape is highly fragmented. 88,848 IORPs serve 58.4 million members and beneficiaries, but many are small and localized, especially in member states like Ireland, Cyprus, and Spain. In contrast, Dutch IORPs alone manage nearly €1.9 trillion, accounting for 63.3% of total EU IORP assets, highlighting the disparity in scale across Member States. Therefore, it can be assumed that IORPs often operate on a smaller scale compared to their global peers, which can lead to:

- **Reduced portfolio diversification:** Smaller IORPs may lack the resources to access a broad range of asset classes, especially illiquid or alternative investments like infrastructure or private equity.
- **Cost inefficiencies:** Fixed costs (e.g., for governance, compliance, and reporting) are harder to absorb, leading to higher costs per member and lower net returns.
- **Lower risk-adjusted returns:** Limited access to long-term or higher-yielding assets can hinder performance, especially in a low-interest environment.

To scale up IORPs we would propose:

- **Creating incentives to encourage more employees to use occupational pension schemes,** particularly DC schemes, e.g., through tax benefits (deferred taxation with a reduced tax rate, salary conversion, tax-free employer contributions, state subsidies).
- **Companies of a certain size could be obliged to offer occupational schemes.** To offset the additional burden this could be combined with tax incentives for companies.
- **Development of completely new models:** The IORP Directive could be developed in the direction of a "European 401(k) plan" with DC, free choice of asset classes, deferred taxation, employee subsidies.
- **The investment rules could differ between DC and DB models** in order to ensure the higher diversification and security requirements for DB on the one hand, but to

create more room for return opportunities in DC models on the other hand (employees may decide which return-risk-ratio works best for their retirement plans).

- **Development of specific incentive schemes for IORPs** to invest in European IPOs, e.g. complete tax exemptions for investments in equities listed on European exchanges at the time of IPO.

Question 41: Do you consider that the current framework for cross-border collective transfers between IORPs has managed to achieve the objectives that justified its introduction, namely facilitate the organisation of occupational retirement provision on a Union scale?

- Yes
- No
- No opinion

Please elaborate your answer. If no, should it be simplified and how (e.g. a uniform EU definition of the majority of members and beneficiaries or their representatives needed to approve a cross-border transfer)? In addition, have you experienced or are you aware of any difficulties with domestic collective transfers? In particular, are you aware of any Member State not having in place clear and simple rules for such transfers?

The number of cross-border IORPs has stagnated since 2010 due to complex notification procedures, lack of passporting, and divergent social and labor laws. Consent requirements for cross-border transfers (e.g., majority of all members rather than representatives) further complicate consolidation efforts.

Key barriers identified include:

- **Divergent Social and Labor Laws:** Differences between host and home countries increase costs and operational risks, making cross-border operations unattractive.
- **Complex Notification Procedures:** There is no true “passporting” regime. Each new employer requires a fresh notification, which adds administrative burden.
- **Consent Requirements:** The current framework requires individual consent from a majority of all members and beneficiaries for transfers. This is seen as overly burdensome compared to using representative bodies or counting only those who respond.
- **Supervisory Fragmentation:** The lack of harmonized supervisory practices across Member States undermines trust and creates regulatory uncertainty.

Question 42: In your view, does the current EU legislative framework effectively ensure that cross-border activities of IORPs can be carried out in practice, in a proper and timely manner?

- Yes
- No
- No opinion

Please elaborate your answer. If no, please describe any practical barriers or delays you have encountered or are aware of, and suggest how the framework could be improved to facilitate smoother cross-border operations, including in areas not currently covered by the Directive. In particular, to what extent could a simplification of the existing cross-border notification procedures (e.g. the period of up to six weeks for the competent authority of the host Member State to inform the competent authority of the home Member State of the requirements of social and labour law relevant to the field of occupational pension schemes) help facilitate such operations?

According to the EIOPA 2023 Report on cross-border IORPs “the number of cross-border IORPs has stopped increasing since 2010 and is unlikely to experience substantial growth in the near future. As such, the original goal of the IORP Directive to foster a thriving internal market for occupational pension provision has not been achieved.”

The low cross-border performance is attributable to distinct social and labor laws between host and home country increases costs, operational risks associated with managing cross-border IORPs, and complex relationships between sponsoring corporate and members/beneficiaries governed by domestic law. Further, there is no true passporting regime but complex notification procedures and supervisory practices. A new notification is required for every new employer, which is an unnecessary burden. Moreover, individual consent from a majority of all members and beneficiaries for cross-border transfers, rather than relying on consent from representative entities or assessing the majority based on those members/beneficiaries that respond, is often perceived as a potential complication in the process of transitioning to cross-border IORPs.

To improve cross-border operations we propose:

- **Passporting and harmonized processes:** Introducing a IORP passporting regime with harmonized registration or authorization process (including prudential assessment) as prerequisite for cross-border activities, to increase competition and to enable citizens to directly invest in IORPs in other Member States.
- **Pan-EU IORP:** Establish a single Pan-EU IORP with universal accessibility for EU-domiciled corporates and employees, defined contribution structure, clear and uniform tax rules (tax deferrals, reduced rates), governance and transparency

requirements (performance and costs), and asset allocation/investment rules with a strong focus on equities.

- **Simplified consent mechanisms:** Replacing the current “majority of all members” rule with the IORP with a representative consent model or a majority of respondents approach could significantly reduce friction.
- **Modular and proportional Regulation:** IORPs could benefit from a tiered regulatory approach that differentiates between low-risk and complex schemes, as proposed in EIOPA’s technical advice.

Question 43: In your view, are the current supervisory powers for cross-border activities under the IORP II Directive adequate to ensure trust and prevent regulatory arbitrage?

- Yes
- No
- No opinion

Please elaborate your answer. Is there room for improvement in the current rules governing the cooperation and division of responsibilities between home and host Member States in the supervision of institutions for occupational retirement provision?

When it comes to supervisory powers for cross-order activities, we observe the following challenges and consequences:

- **Fragmented supervision:** Although the IORP II Directive relies on cooperation between national competent authorities (NCAs), supervisory convergence remains limited. Divergent interpretations and enforcement practices across Member States create regulatory uncertainty, opportunities for arbitrage and missing trust in cross-border operations.
- **Barriers to cross-border transfers:** The current framework imposes burdensome consent requirements and does not provide streamlined procedures for cross-border collective transfers, further complicating supervision.

Therefore, we would propose the following improvements to the current rules:

- Harmonize supervisory practices across Member States to reduce fragmentation.
- Introduce a passporting regime for IORPs, similar to UCITS, to simplify cross-border operations.
- Simplify the notification and consent procedures for cross-border transfers to reduce administrative burden and improve oversight.

Question 44: In your view, could the current scope of the IORP II Directive be adjusted to better capture the diversity of the supplementary pension landscape and the organisation of the different pension systems across all Member States, to ensure a minimum level of protection for all supplementary pension savers across the European Union?

- Yes
 No
 No opinion

Please elaborate your answer. If yes, how could the scope of the Directive be adjusted to better reflect the diversity of systems and ensure effective protection for all supplementary pension savers? In particular, Please elaborate your views on whether other institutions for retirement provision that serve similar purposes but are currently not covered by any EU prudential legislation (e.g. institutions covered by Regulation (EU) 2018/231 but not falling under the scope of the Directive) should be fully or partially brought within the scope of the Directive. If no, please describe how the current scope of the Directive ensures adequate prudential protection for supplementary pension savers across all Member States.

The current framework presents some weaknesses as it covers only institutions that meet specific structural and prudential criteria, and it excludes many supplementary pension providers, especially those operating under Regulation (EU) 2018/231. This exclusion creates uneven protection for savers and regulatory fragmentation, undermining the goal of a unified EU pension landscape.

Many pension vehicles serving similar retirement functions are not subject to EU prudential legislation, leading to inconsistent governance, transparency, and risk management standards, depending on the Member State.

EIOPA's technical advice further confirms that the minimum harmonization approach of IORP II results in wide disparities in valuation, funding, and supervisory practices.

In this context, we propose the following improvements:

- **Include non-IORP institutions:** The IORP II Directive should also include those institutions that are currently subject to EU Regulation 2018/231 or similar national frameworks.
- **Define a Pan-EU IORP:** Create a universal, accessible IORP structure with harmonized governance, tax, and investment rules.
- **Introduce proportionality tiers:** Apply differentiated requirements based on size, risk profile, and structure (e.g., DB versus DC schemes).
- **Clarify cross-border rules:** Simplify procedures and harmonize supervisory cooperation to enable broader participation.

Questions 45 to 47: No comments

Question 48: In your view, are the current rules in the IORP II Directive sufficient to ensure that all members and beneficiaries receive clear and effective information (e.g. on cost disclosure, performance, risk indicators and benefit projections)?

- Yes
- No
- No opinion

Please elaborate your answer. If no, which aspects of the information requirements are most lacking, and how could the regulatory framework be improved?

We believe that all relevant information is available, but not always in the best and consumer-friendly format. Please also see our responses to questions 54.

Question 49: Do you consider that all supplementary pension savers should have the right to receive certain general information about their supplementary pension scheme, regardless of the institution providing it?

- Yes
- No
- No opinion

Please elaborate your answer. If yes, should the Commission pursue greater alignment of pension information for supplementary pension savers, irrespective of the provider?

It is important for savers to receive the most important information in a short, concise and easily accessible manner. A certain degree of standardization of the methodology for key indicators across all pension products would be desirable to increase and ensure comparability.

Question 50: In your view, could the inclusion of institutions under the scope of the Directive in national pension tracking systems improve transparency for savers?

- Yes
- No
- No opinion

Please elaborate your answer. If yes, do you believe the IORP Directive should require Member States to ensure such inclusion?

Pension tracking systems can only provide an accurate picture and offer added value to citizens if all pension entitlements are included. Therefore, an inclusion would be helpful.

Question 51: In your view, could pension tracking systems be considered a suitable means to fulfil certain disclosure requirements under the IORP II Directive for members and beneficiaries who interact via digital tools?

- Yes
- No
- No opinion

Please elaborate your answer. If yes, how should the pension tracking system and the Pension Benefit Statement interact or coexist in practice? In particular, how could dual reporting be avoided while ensuring that all relevant information requirements under the Directive are fulfilled?

In general, all efforts by the EU Commission to reduce administrative burdens and reporting requirements are to be welcomed. Most clients rarely use of the available product information and often feel insufficiently informed despite the vast amount of information. Digital tools that focus on the most essential information, such as asset allocation, past performance, and total costs, can provide added value and make extensive documents obsolete.

Question 52: To your knowledge, do tax obstacles continue to hinder the cross-border provision of occupational pensions?

- Yes
- No
- No opinion

Please elaborate your answer. If yes, please indicate which specific tax-related barriers you consider most relevant today, as well as whether, in your view, should further action be taken at the level of the European Union to address these barriers.

Tax incentives such as tax deferrals or reduced tax rates on capital gains from equity investments could increase the attractiveness of IORPs. In addition, the introduction of favorable tax treatment for returns from investments in green and digital infrastructure could close the financing gap in twin transitions.

Question 53: No comment

Question 54: Are there any additional issues that you believe should be considered in the review of the IORP II Directive?

- Yes
- No
- No opinion

Please elaborate your answer. If yes, please describe these issues and explain why and how they should be addressed.

Increasing transparency and professionalize portfolio management:

- 1) ESAP could be a suitable platform to provide information on performance and costs of pension funds. This could be implemented by amending the IORP Directive since the directive is part of the list of legislative acts under the ESAP Regulation.
- 2) The visibility and comparability of occupational pension funds' performances could be increased by developing suitable indices that allow for benchmarking the fund's performance against relevant indices and peer groups and conducting performance evaluations of managers and strategies.
- 3) The structure of IORPs portfolio management nowadays reflects a risk-averse approach that leads to less diversification, lower returns, less engagement with the future of European economy. Professional portfolio management solutions are available to support IORPs with a holistic solution that efficiently consolidates real-time data and operations on one central, highly scalable platform, thus facilitating comprehensive and broadly diversified portfolio management across all asset classes (equities, fixed income, private equity et al.) and significant complexities that IORPs operate in. The increasing requirements in investment strategies and management are driving the need for a strong, market-based technological infrastructure linked with efficient operations. Accordingly, the software enables the management and optimization of the investment portfolios' exposures to certain geographies and asset classes (such as EU equities) while realizing proposed tax and solvency incentives.

Proposals for stronger mobilization of IORP investments:

- 1) Investment rules could be specifically adjusted to ensure a minimum investment in European securities, while still allowing investments outside the EU for diversification and return considerations. This could be facilitated by introducing a mandatory minimum investment ratio of 20% into EU equity investments in combination with targeted incentive measures, e.g. tax advantages, prudential

requirements. Such minimum ratio should be combined with the determination of investment target areas to support funding needs across the funding lifecycle (5% VC/Growth and late-stage funding) and with a focus on publicly traded corporates (15% listed companies).

- 2) A review of the solvency requirements for IORPs should be considered to incentivize diversification (reduction of solvency charges for well-diversified funds) and long-term investments in equities (reduction of solvency charges for equities held for over 7 years). SMEs and IPOs with an issue volume of up to €500m should be exempted from any taxes and solvency charges. In a well-diversified fund, these investments usually play a very minor role. No solvency charges would be a real incentive to invest in SMEs and smaller IPOs across Europe. Furthermore, it could be considered removing or reducing solvency charges for listed SMEs with a market cap of up to €500m.
- 3) The investment rules could differ between DC and DB models in order to ensure the higher diversification and security requirements for DB on the one hand, but to create more room for return opportunities in DC models on the other hand (employees may decide which return-risk-ratio works best for their retirement plans).
- 4) Develop specific incentive schemes for IORPs to invest in European IPOs, e.g., complete tax exemptions for investments in equities listed on European exchanges at the time of IPO.