

FESE position on the European Commission supplementary pensions package

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FESE recognises the European Commission's supplementary pensions package as a key component of the Savings and Investments Union (SIU). Strengthening supplementary pensions can play an important role in mobilising long-term savings, improving retirement adequacy and channelling capital towards productive investment in Europe.

Well-designed supplementary pension frameworks can both increase citizens' participation in capital markets and provide stable sources of long-term financing for the European economy. In this context, FESE welcomes the Commission's objective to enhance the attractiveness and accessibility of supplementary pensions for EU citizens while supporting the broader development of the SIU.

The proposals included in the package have the potential to make supplementary pensions more attractive and accessible to EU citizens while contributing to the financing of the real economy. In this context, FESE welcomes the Commission's recommendation to encourage the introduction of auto-enrolment mechanisms in supplementary pension schemes. Auto-enrolment has proven effective in increasing participation in retirement savings and could significantly broaden retail investors' engagement with long-term investment. FESE therefore considers this recommendation a positive step and encourages Member States to explore its implementation within their national pension frameworks.

FESE also welcomes the Commission's proposals aiming at promoting greater scale and cross-border activity within the EU pension landscape.

This position paper sets out the views of FESE on the key elements of the supplementary pensions package focusing on: (i) the review of the PEPP Regulation and (ii) the review of the IORP II Directive.

1. Review of the PEPP Regulation

FESE considers that the review of the Pan-European Personal Pension Product (PEPP) can contribute to improving retirement income adequacy and strengthening long-term investment in European capital markets. More broadly, FESE stresses the importance of simple, effective cross-border savings and investment products that allow retail investors to participate actively in capital markets. Such products should combine broad accessibility and low entry barriers, simple and streamlined user experience, flexible access to diversified investment instruments traded on transparent markets, and well-designed incentives that encourage long-term participation and channel savings towards productive investment in the EU economy. In addition, these products should be without prejudice to national personal pension solutions already in place in various Member States.

In that regard, FESE positively notes that the Commission's proposal preserves the PEPP's core strengths, such as simplicity, transparency, affordability, portability and flexibility, while addressing key obstacles to wider uptake on both the supply and demand side. For example, the introduction of both a Basic PEPP and a tailored PEPP could broaden the potential investor base while allowing providers to adapt products to different market

conditions and savers' preferences. FESE would like to focus on several specific aspects of the proposed revisions to the PEPP regulation.

1.1. Shift from a rigid fee cap to a Value for Money framework

Replacing the current 1% fee cap with a Value for Money (VfM) framework could improve the commercial viability of the PEPP and encourage greater participation by providers.

At the same time, VfM benchmarks should remain supervisory and initially non-public tools and assess cost-efficiency through a holistic approach that goes beyond a narrow focus on costs. To that aim, benchmarks should also consider elements such as net performance and qualitative characteristics, including aspects related to trading environment. The Commission's delegated acts specifying the benchmarks' methodology should take these aspects into account.

1.2. Investment approach of the PEPP

1.2.1. Role of transparent trading venues in PEPP investments

FESE recognises that the proposal maintains key positive elements of the PEPP's investment framework, notably the focus on savers' best interests and portfolio diversification.

FESE strongly supports the requirement that PEPP assets should be predominantly invested on regulated markets, multilateral trading facilities (MTFs) and organised trading facilities (OTFs). Such an approach strengthens the role of transparent and supervised trading venues in the allocation of long-term savings, while ensuring that pension investments contribute to price discovery, liquidity and resilient market functioning.

Promoting the execution of financial instruments on multilateral trading platforms can also uphold transparency and investor protection by ensuring that investments are executed on an equal, transparent and non-discriminatory basis, while contributing to market integrity, valuations and the price-formation process.

1.2.2. Transparency for savers and pension tracking

FESE would also like to emphasise the importance of transparency for end investors, particularly through accessible information on investment strategies and costs. This is particularly important when pension savings are allocated to assets that are not traded on transparent regulated markets.

Ensuring high levels of transparency can help investors better understand how their retirement savings are invested and support informed decision-making. In this context, improving the availability and accessibility of information through tools such as pension tracking systems can further enhance transparency and allow savers to obtain a clearer overview of their pension entitlements and underlying investments across different products.

1.2.3. Diversified investment strategies and portfolio allocation

The proposed framework appropriately allows PEPP assets to be invested across a broad range of asset classes, including equity investments, supporting diversified portfolios and long-term returns. It is therefore important that retail savers are able to access a wide range of financial instruments through their pension products, including shares and bonds, which would allow them to benefit from the long-term growth potential of capital markets. Promoting equity investment is particularly important considering the current allocation patterns observed in many pension portfolios, which remain disproportionately concentrated in fixed-income instruments. Ensuring that PEPP frameworks support greater diversification across asset classes can thus contribute to improved long-term returns for savers while also strengthening the role of capital markets in financing the European economy.

1.2.4. Application of the prudent person principle

FESE also welcomes the clarification of the prudent person principle. Moving from more prescriptive investment rules towards a principles-based framework provides greater flexibility for providers to design investment strategies that reflect the long-term nature of pension savings. It is key that the rules continue to allow providers to construct diversified portfolios aligned with savers' risk profiles and investment preferences, while enabling access to a broad range of asset classes where appropriate. Such flexibility can support more efficient portfolio allocation and facilitate long-term investment in capital markets, while maintaining the necessary safeguards to ensure sound risk management and investor protection.

1.2.5. Basic PEPP investment rules

FESE supports the proposed Basic PEPP investment rules, which require a life-cycle investment strategy with at least 95% of non-cash assets invested in MiFID-defined non-complex listed instruments, such as transferable securities, shares, bonds and money market funds.

1.3. Individual transfer rights

FESE welcomes the proposal allowing savers to make individual transfers between existing personal pension products and PEPPs, as this could encourage greater uptake of the latter. Facilitating transfers would also help avoid situations where savers are required to hold and manage multiple pension products simultaneously.

1.4. Tax treatment

Appropriate national tax incentives remain a key prerequisite for achieving broad uptake of the PEPP. FESE therefore welcomes the objective of aligning the tax treatment of PEPP with national personal pension products.

While pension taxation policies fall within the competence of Member States, greater coordination would help reduce cross-border tax fragmentation, ensure a more level playing field across the EU and address the existing tax bias against equity investment, including by encouraging more favourable treatment of long-term equity investments.

2. Review of the IORP II Directive

2.1. Investment policies of IORPs

2.1.1. Prudent person principle

FESE welcomes the proposed revisions that enhance investment flexibility for occupational pension schemes, particularly defined contribution (DC) arrangements where members bear the investment risk. By shifting to a prudent person principle and limiting overly restrictive national investment limits, the proposal would enable IORPs to pursue more diversified and higher long-term return investment strategies, including greater participation in capital markets. At the same time, strengthened governance, risk assessment and transparency requirements, should ensure that this increased flexibility is accompanied by appropriate safeguards for members and beneficiaries.

FESE supports the possibility for IORPs to invest in broad and diversified portfolios, including unlisted securities or alternative assets such as private equity and private debt, provided that risks are properly managed. In addition, increased IORP participation in private equity and private debt may contribute to strengthening the general IPO pipeline and supporting capital markets more broadly.

It must be stressed that transparency for end investors remains essential. This is especially important when pension savings are allocated to assets that are not traded on transparent regulated markets.

2.1.2. Incentives to mobilise pension investment

To support the SIU objectives and strengthen Europe’s economic competitiveness, the framework could encourage greater allocation towards EU capital markets. For example, minimum indicative allocation targets such as a minimum 50% ratio in EU securities out of which at least 20% in EU equities, combined with appropriate incentives, could help mobilise long-term savings for productive investment and reinforce the depth and resilience of European capital markets. Any such measures should fully respect the prudent person principle and should not introduce binding portfolio constraints for IORPs.

Moreover, targeted policy incentives could further support the mobilisation of pension savings into European capital markets. These could include favourable tax treatment for long-term equity investments or tax exemptions for investments listed on European exchanges at the time of the IPO, making them attractive for IORPs.

More broadly, increasing participation and scale in occupational pension schemes will be important to strengthen the investment capacity of IORPs. Measures encouraging wider participation, particularly in schemes where members bear the investment risk, could therefore be considered, including tax incentives for employees and employers. Going further, the development of completely new models for occupational pension provision, such as EU-wide defined-contribution schemes inspired by a “European 401(k)” model, with DC, free choice of asset classes, deferred taxation, employee subsidies, could help mobilise long-term savings and increase citizens’ participation in capital markets.

2.2. Scale and cross-border activity

FESE supports measures facilitating greater scale and cross-border activity, which could lower barriers to consolidation and enable more efficient pension provision across the EU. Greater scale and cross-border integration can deepen EU capital markets by pooling savings across Member States, expanding the investor base and facilitating more efficient capital allocation for long-term investment.

A clearer legal framework for multi-sponsor IORPs, as well as streamlined notification procedures and mechanisms for the collective transfer of pension schemes’ liabilities, technical provisions and related rights and obligations, could support the development of larger and more efficient pension arrangements.

However, further steps towards a more integrated framework for cross-border occupational pensions could also be considered. In this context, the development of an EU passporting regime for IORPs, based on a harmonised registration or authorisation framework, could help facilitate cross-border operations, reduce administrative complexity, strengthen competition across the EU pension landscape and enable citizens to directly invest in IOPRs in other Member States.