



aba position paper
regarding Action 9 on pensions
of the New Action Plan
[A Capital Markets Union for people and businesses](#)

(1. Dezember 2020)

The **aba Arbeitsgemeinschaft für betriebliche Altersversorgung e.V.** is the German association representing all matters concerning occupational pensions in the private and public sector. The aba has around 1,000 members including corporate sponsors of pension schemes, IORPs, actuaries and consulting firms, employer associations and unions, as well as insurance companies, banks and investment managers. According to our statutes, our mission is to represent existing schemes as well as to expand coverage of occupational pensions independent of vehicle. We are a member of the European Association [PensionsEurope](#).

Please do not hesitate to contact us if you have any questions:

Klaus Stiefermann (Secretary General) – Tel.: 030 3385811-10 – klaus.stiefermann@aba-online.de

Dr. Cornelia Schmid – Tel.: 030 3385811-60 – cornelia.schmid@aba-online.de

Verena Menne – Tel.: 030 3385811-13 – verena.menne@aba-online.de.

Zusammenfassung

Rentenpolitik ist Sozialpolitik: die Perspektive „Kapitalmarktunion“ steht an zweiter Stelle

- Rentenpolitik ist Aufgabe der Mitgliedstaaten (MS). Innerhalb der EU-Kommission sollte sich die Generaldirektion EMPL aus sozialpolitischer Perspektive mit diesem Thema beschäftigen.

Pension Dashboard: relevante Akteure einbeziehen und bereits vorhandene Daten nutzen

- Es sollte klar definiert werden, was mit dem Pension Dashboard erreicht werden soll. Dabei sollten alle drei Säulen der Altersversorgung sowie ihre Interdependenzen angemessen berücksichtigt werden. Abhängig von diesen Zielen sollte die EU-Kommission (GD EMPL und FISMA) die relevanten Akteure zusammenbringen, um die Inhalte des Dashboards zu entwickeln. Aus unserer Sicht sind dies sehr wahrscheinlich die MS, die über die Ausschüsse für Sozialschutz und Wirtschaftspolitik eingebunden werden könnten.
- EIOPAs Rolle sollte sich auf technische Fragen zu jener Altersversorgung beschränken, für die EIOPA laut EIOPA Verordnung auch zuständig ist (betriebliche und private Altersversorgung über Einrichtungen der betrieblichen Altersversorgung und Versicherungsunternehmen).
- Für das Dashboard sollten bereits vorliegende Daten genutzt werden. Zusätzlichen Aufwand gilt es zu vermeiden.
- Es sollte eine gründliche Kosten-Nutzen-Analyse zum Pension Dashboard durchgeführt werden.

Automatische Einbeziehung: Ja zu Best Practices, Nein zu gesetzlicher Verpflichtung

- Eine Studie zu den Best Practices bei automatischer Einbeziehung kann den MS helfen, ihre betrieblichen Versorgungssysteme zu stärken. Aus unserer Sicht gibt es keine gesetzliche Grundlage, die MS zu verpflichten, automatische Einbeziehung einzuführen.

Pension Tracking: Zusammenarbeit mit denen, die national diese Themen verantworten

- Auch hier können Best Practices zu säulenübergreifenden Renteninformationsdiensten für die MS nützlich sein – besonders, wenn sie bisher über kein solches System verfügen oder es gerade einführen.
- Die EU-Kommission sollte mit den Arbeits- bzw. Sozialministerien der MS zusammenarbeiten, um die jeweils relevanten Akteure auf nationaler Ebene zu identifizieren.

Summary

Context: pension policy is social policy

- Pension Policy should be driven by the Member States (MS). Within the EU Commission, DG EMPL is well placed to work on pension issues from a social perspective.

Pension Dashboard: involve relevant stakeholders and use existing data

- The goal of the Pension Dashboard should be clearly set out at the beginning and should consider all pillars of multi-tier pension systems and their interdependences. Depending on the objective, the Commission (DG EMPL and DG FISMA) should bring together the relevant actors to develop the Pension Dashboard. From our perspective these are likely to include the MS, they could be involved through the Economic Policy and the Social Protection Committees.
- EIOPAs role should be limited to technical advice on the pensions they cover (provided by institutions of occupational retirement provision and insurance undertakings).
- Data which is already being reported by pension funds should be used. Additional burdens for pension funds and other companies should be avoided.
- Costs and benefits of a Pension Dashboard should be carefully examined and weighted against each other.

Automatic Enrolment: collect best practices but refrain from a legal obligation

- Studying the mechanisms of automatic enrolment and disseminating best practices can help MS to strengthen their occupational pension systems. We do not see any legal basis for EU legislation requiring MS to introduce automatic enrolment.

Pension Tracking: work with those in charge at the national level

- Best practices regarding pension information services and platforms could be helpful for MS who currently do not have / are introducing pension information systems covering all pension pillars.
- The Commission should work with the national Labour / Social Ministries to identify the key stakeholders at national level.

1. Introduction

The European Commission published on 24 September 2020 the communication [A capital markets union for people and businesses: new action plan](#). Out of the 16 actions, several are relevant for occupational pensions. However, in this paper we focus on Action 9, the action directly referring to pensions.

Action 9

„The Commission will facilitate the monitoring of pension adequacy in Member States through the development of pension dashboards. It will also develop best practices for the set-up of national tracking systems for individual Europeans. Finally, it will launch a study to analyse auto-enrolment practices and may analyse other practices to stimulate participation in occupational pension schemes, with a view to developing best practices for such systems across Member States.“

The Action Plan is completed by an Annex which provides some more detail on the individual actions as well as a rough time line. We have copied the information regarding Action 9 into the Annex to this paper.

2. Context: pension policy is social policy

As the German association for occupational pensions, we very much welcome if the EU seeks to foster second pillar pensions. Collective occupational pensions, often set up by the social partners, have many advantages. The role of second pillar pensions is determined by the overall pension system. They are determined by national social and labour law. Any initiatives to foster occupational pensions should therefore be developed from a social policy perspective. This is reflected in the set-up of the EU Commission in that DG EMPL covers pensions. We are surprised that DG FISMA uses the Action Plan on the Capital Markets Union to make proposals regarding pensions coming from a financial market perspective. Occupational pensions and their role differ across the EU Member States depending on the architecture of the overall retirement system, the design of the first pillar, economic circumstances, cultural preferences and many other issues. Member States are therefore the main actors when it comes to further developing their (supplementary) pension systems. The social, labour and tax framework are to be considered and are the main levers for reform.

Importantly, interdependencies between the different pillars should be taken into account: incentivising a certain type of pensions might not necessarily lead to additional pension saving, but to people switching their contributions to the more favourable framework. In this context, we would like to stress that we do not share the notion of the European Commission that the pan-European personal pension product (PEPP) “is already a major step” (p. 11 of the new action plan) in giving relevant answers to the increased need for long-term savings and retirement income due to longer life expectancy. The future relevance of the PEPP still needs to be proven by encouraging more savings and retirement income and not only a shift in retirement vehicles. We believe that especially collective occupational pensions are cost effective and offer clear advantages in the asset allocation.

Regarding the PEPP but also more generally, any approach to pension policy making should therefore consider all pillars and their interdependencies (see holistic approach as recommended by the [Final Report](#) of the High Level Expert Group on Pensions).

While of course pension funds are institutional investors who are actors in the capital markets union, it should be borne in mind that occupational pensions are not a means to completing the capital markets union. Occupational pensions have their own objective, which is to provide adequate (in the aforementioned holistic sense), sustainable and reliable retirement income to their members and beneficiaries.¹

- Pension Policy should be driven by the Member States (MS). Within the EU Commission, DG EMPL is well placed to work on pension issues from a social perspective.

3. Pension Dashboard: involve relevant stakeholders and use existing data

With the project still at the beginning, there are a number of important questions which need to be answered:

What is the goal of the Dashboard? The most important question is what the Pension Dashboard seeks to achieve. A possible objective could be to provide a sound basis for national pension policy making. An issue of more general nature is whether this can be achieved by pressing a very complex issue into a set of standard indicators.

Who should be involved in the development? As stressed above, within the Commission DG FISMA should at least work together with DG EMPL when developing the Pension Dashboard.

If the Pension Dashboard is intended to support the MS, they should be closely involved in the development of the indicators. Designing the indicators and what is captured by them can become very political, which is another argument to involve the MS, because they are the ones responsible for pension policy. They in turn should liaise with the national stakeholders across the three pillars, i.e. statutory pension representatives as well as associations representing supplementary pensions.

The [Final Report](#) of the High Level Forum on the Capital Markets Union suggested that the Economic Policy Committee should be involved in developing the methodology. We support this, but to cover the social policy angle, the Social Protection Committee should also be involved. Both Committees have gathered a lot of expertise by compiling their respective reports, and they have also worked together publishing Joint Reports. The Commission should build on this experience and closely work together with the two Committees and this way include the MS in this work.

We note that the Call for Advice to EIOPA refers to occupational pensions. While it is of course correct that EIOPA cannot and should not give advice on matters regarding the first pillar, we wonder what and how information regarding the third pillar (personal pensions) will be included in the Dashboard – this is currently not mentioned in the Action Plan. We are also surprised no mention of the PEPP is made here – although the Action Plan clearly refers to the desired future role of the PEPP. Any technical advice provided by EIOPA should follow Art. 2 of the EIOPA Regulation which defines EIOPA's field of activity – in this context, Institutions for retirement provision (IORPs) and insurance undertakings are relevant. EIOPAs input should be limited to technical matters, a supervisory authority should not be engaged in setting potentially political indicators.

¹ For these arguments, see also [aba Feedback to the Capital Markets Union Roadmap](#).

How should the necessary data be gathered? Over the past years, reporting requirements for IORPs have been significantly extended by the ECB ([EZB/2018/2](#)) and EIOPA requirements ([EIOPA -BoS/18-114](#), amended on [2 June 2020](#)). For pension funds a key question therefore is whether they will have to provide additional data. Since the above mentioned reporting requirement encompass all aspects of IORP data, the Pension Dashboard should use data and existing reporting ways and formats which are already being used today, so that pension funds would not have to face any additional burden.

Insight is essential for good policy making, and we welcome the initiative of the Pension Dashboard on those grounds. However, we would like to point out that many issues – crucially the added burden for those reporting the necessary data – need to be considered to lift the potential such a dashboard offers.

- The goal of the Pension Dashboard should be clearly set out at the beginning and should consider all pillars of multi-tier pension systems and their interdependences. Depending on the objective, the Commission (DG EMPL and DG FISMA) should bring together the relevant actors to develop the Dashboard. From our perspective, these are likely to include the Member States, they could be involved through the Economic Policy and the Social Protection Committees.
- EIOPA's role should be limited to technical advice on the pensions they cover (provided by institutions of occupational retirement provision and insurance undertakings).
- Data which is already being reported by pension funds should be used. Additional burdens for pension funds and other companies should be avoided.
- Costs and benefits of a Pension Dashboard should be carefully examined and weighted against each other.

4. Automatic Enrolment: collect best practices but refrain from a legal obligation

Discussions around automatic enrolment (AE) are important for Germany because this policy option might be the next step if the Sozialpartner-Modell is not picked up widely. Automatic enrolment can be one of several instruments to increase both coverage and contributions. However, it is important to see automatic enrolment in the national context, and, importantly, in the context of national labour law and existing structures. The mechanism of automatic enrolment might also be used under specific circumstances in agreements between the social partners or at company level (through what in Germany is called a Betriebsvereinbarung or Tarifvertrag).

With this in mind, we welcome the [study which has been commissioned](#) to gather evidence on automatic enrolment. However, we would like to emphasise that the decision as to whether and in which form to introduce AE has to be taken at the national level. So following from the study, the Commission could promote best practices or even issue recommendations, but they should under no circumstances legislate for the introduction of automatic enrolment (as was proposed in the [Final Report](#) by the High Level Forum on the Capital Markets Union) – not least because we do not see a legal basis for this.

- Studying the mechanisms of automatic enrolment and disseminating best practices can help MS to strengthen their funded pension systems. We do not see any legal basis for EU legislation requiring MS to introduce automatic enrolment.

Generally, auto-enrolment is used in combination with Defined Contribution (DC) schemes. On the backdrop of a strong trend towards DC schemes, this has led to research and discussions around what works best in terms of DC schemes (see e.g. the [OECD DC Roadmap](#) which is currently being revised). While these discussions are important, we would like to emphasise that in Germany defined benefit (DB) and hybrid pension schemes play the predominant role and will continue to do so over many years to come. We therefore highly doubt that the experiences from automatic enrolment into DC schemes can be easily transferred to the German pension system.

In our experience, employees value their pension promises and are prepared to bear the costs of guarantees. What type of risk sharing between employer and employee works best depends on the circumstances. Discussions and research therefore should not be narrowed down to DC, but also include DB and everything in between.

5. Pension Tracking: work with those in charge at the national level

In Germany a Digital Pension Overview (see Box for details) is currently being developed. We welcome that the EU is recognizing the importance of pension information covering all relevant pillars. We are very interested in hearing best practice examples from Member States with more experience in this area and we are prepared to share whatever could be useful for others from our journey so far.

A Digital Pension Overview for Germany

In Germany a pension information platform covering all three pillars is currently being developed: the law addressing key issues around digital pension information was [passed](#) on 18 November 2020. Many details are still to be addressed in the follow-up legislation (“Verordnung” in German).

The objective is to provide individuals with better information about their pension entitlements. The intention of policy makers is that the digital pension information takes into account the specificities of the three pillars, is easy to administer and ensures that beneficiaries remain in charge of their data. To support its development and application, the law sets up a Committee (Zentrale Stelle für die digitale Rentenübersicht) which will work on a range of important (technical) issues.

The aim is to start with the first phase in autumn 2022. An evaluation will conclude this pilot phase in autumn 2023, setting the scene for the further roll-out.

During the pilot phase, participation will be voluntary. After that, those institutions which today are already required to provide regular pension information will be connected to the system, for the others (including many employers offering direct pension promises via book reserve schemes to their employees) participation will be encouraged but remain voluntary until further evaluation.

Considering the diversity of (occupational) pensions across the EU, EIOPA does not seem the best contact to provide technical advice on pension tracking. In Germany for example, the supervisor BaFin has not been involved in the development of the Digital Pension Overview. From our perspective, it would therefore be mandatory to involve the Social Protection Committee (and with that the Social Ministries in the MS) in the work. If

necessary, they could pass on information from other stakeholders such as first pillar pensions, supervisors, independent pension information platforms etc. as they see fit.

In addition to the recent German developments with regard to the Digital Pension Overview the project “[European Tracking Service on Pensions](#)” must be mentioned. The project, which had precursors since 2013 under the label www.FindyourPension.eu and consists of a consortium of European pension stakeholders, started in January 2019 and is funded by the European Commission. We are surprised the Action Plan does not mention this project.

These two initiatives should be discussed and developed together.

- Best practices regarding pension information services and platforms could be helpful for MS who currently do not have / are introducing pension information systems covering all pension pillars.
- The Commission should work with the national Labour / Social Ministries to identify the key stakeholders at national level.

6. Conclusions

Supplementary pensions are important today – and will gain importance over the decades to come. We would like to emphasise that a collective approach to occupational pensions supported by the social partners from our perspective has the most potential to rise to the challenges to come. Occupational pensions are first and foremost a social benefit and should be treated as such – they are not a means to completing the capital markets union. In our understanding, it is the other way round: as suggested in the title of the Action Plan, the capital markets union should be for the people, in this case for pension scheme members and beneficiaries.

ANNEX: Further information on Action 9

(copied from the Annex to the Action Plan)

<p>Action 9: Supporting people in their retirement</p> <p>A. In order to strengthen the monitoring of the state of play as regards pension adequacy in Member States, the Commission will seek to identify the relevant data and methodology for developing pension dashboards with indicators.</p> <p>B. In order to facilitate access to individualised pension information and raise people's awareness as regards their future retirement income, the Commission will seek to develop best practices for the set-up of national tracking systems.</p>	<p>Q4 2021</p> <p>Q4 2021</p>
<p>The Commission will send a call for advice to European Insurance and Occupational Pensions Authority (EIOPA) by Q4 2020 to (i) identify the data that providers of occupational pensions should report to make it possible to develop pension dashboards with indicators and (ii) seek its input on the development of best practices for the set-up of national tracking systems. The deadline for receiving EIOPA's technical advice will be set as Q4 2021.</p>	
<p>C. The Commission will launch a study to analyse auto-enrolment practices and may analyse other practices to stimulate participation in occupational pension schemes, with a view to developing best practices for such systems across Member States.</p>	<p>Q3 2020</p>
<p>In Q3 2020, the Commission will launch an external study to analyse existing auto-enrolment practices in occupation pension schemes, with a view to developing EU best practices. Auto-enrolment is a mechanism whereby savers are automatically enrolled into a retirement savings scheme, unless they actively opt out.</p>	