Brussels, the 2nd of September 2025

Cross Border Benefits Alliance – Europe (CBBA-Europe)

Summary of the answers given by CBBA-Europe to the EC consultation on pension reforms 2025

CBBA-Europe Mission:

The Cross Border Benefits Alliance Europe (CBBA-Europe) is a Brussels-based advocacy group with a mission to have a more integrated EU and make it a truly great space of freedom and circulation for workers and employee benefit services as well as a hallmark of robust employee benefits coverage. We promote and support improved employee benefit solutions across Europe, bringing together the private sector, EU institutions and national authorities.
To do so, we monitor the EU ongoing policy initiatives and legislation, we collect input from our members via working groups, we draft position papers and prepare reports to submit to decision makers, making us a constructive and influential interlocutor representing the needs of all employee benefits actors in Europe.
Moreover, we host local national conferences as well as an annual conference in Brussels to discuss with all actors' best practices as well as obstacles in administering and deploying employee benefit solutions. We share latest trends, how different actors approach employee benefit solutions as well as common issues encountered that could be improved with changes to legislation.

Summary

CBBA-Europe welcomes the upcoming revision of the PEPP Regulation and the IORP II Directive as a major opportunity to relaunch supplementary pensions in Europe, fixing what has not worked so far.

Three key messages

1. Member States cannot ignore EU law:

While pension policies remain partly under national competence, this cannot mean a "carte blanche" for Member States to disregard or delay the implementation of European legislation.
A clear example is the PEPP, where national transpositions of the Regulation were adopted with extraordinary delays. These delays have severely hindered the development of the PEPP across Europe – raising the suspicion that, in some cases, this might not

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have been due only to inefficiency but also to deliberate obstruction.

2. IORP II has failed on cross-border activities and transfers:

The principle of proportionality has not worked in practice, forcing small IORPs to comply with disproportionate obligations.
More critically, cross-border activities and transfers have not increased under IORP II – they have even decreased. Many providers withdrew from the market, losing significant investments and dismantling entire cross-border departments.
The main reasons: excessive national discretion, bureaucratic hurdles, and approval requirements that were deliberately designed to block transactions.
For instance, several member states declare that many requirements are part of their national social and labour law -and hence to be applied to foreigner IORPs operating in their jurisdictions- but they do not really seem to properly belong to the traditional scope of SLL.
Regarding cross-border transfers, the current Directive is leaving to national law to set majority thresholds for member and beneficiary consent, and this has led some countries to impose excessively high majorities, effectively making transfers impossible.
In the future, Europe must introduce uniform EU-wide rules – or at least ensure that cross-border transfers are subject to the same majority thresholds as domestic transfers, in the name of legal coherence and non-discrimination.

3. The PEPP needs urgent adjustments:

Several reforms are needed to make the PEPP viable:

- Fee cap (1%): As it stands, it is unrealistic. While it does not necessarily need to be abolished, some costs must be excluded from the calculation -such as mandatory advice, taxation (i.e. VAT), or fund-related charges (e.g. the Total Expense Ratio – TER, including distribution costs). Otherwise, the PEPP will remain unattractive to providers, and without providers, savers will never benefit from the product.

- Risk-mitigation techniques: The current stochastic models make the Basic PEPP costly, complex, and with low returns – especially for younger savers. A simpler life-cycle approach should replace the rigid requirement to secure up to 92% of invested capital. Such life-cycle option should represent the core of the basic PEPP. Guaranteed (through insured) or semi-guaranteed (through the aforementioned risk mitigation techniques) should be always offered among the possible options for users, but not considered as the default option of the basic PEPP.

-Tax treatment of PEPP and portability vs national personal pension products (PPPs): CBBA-Europe considers the current tax discrimination against PEPPs in several Member States, where PPPs enjoy more favourable treatment and portability, to be unacceptable.

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The EU must take decisive action to stop such protectionist practices. Once the PEPP Regulation has entered into force, Member States cannot be allowed to undermine it. While taxation remains a national competence, when used to obstruct the Single Market, EU authorities have the right to intervene, as confirmed by extensive case law.

- <u>Occupational PEPP (O-PEPP):</u> CBBA-Europe strongly supports the creation of an occupational version of the PEPP, to be offered by employers. However, this cannot be achieved simply by allowing employer contributions within the existing framework. Without a dedicated legal section that explicitly defines the O-PEPP as a genuine occupational product, it will never benefit from the same tax incentives as national workplace pensions. With proper recognition, the O-PEPP could even become eligible for auto-enrolment schemes, which are already in place in some Member States and likely to expand further. In 2020, CBBA-Europe also published a Reflection Paper on the possible creation of a Pan-European Occupational Pension vehicle (PEOP). A similar discussion paper on the same topic was published by EIOPA's OPSG in May 2024, building in part on CBBA-Europe's earlier work. While CBBA-Europe acknowledges that creating a new Regulation exclusively for a PEOP would be impractical compared to introducing such a vehicle through the revision of the current PEPP Regulation, it considers this step essential if the new Occupational PEPP (O-PEPP) is to be treated and recognized as a real occupational pension product.

Additional key elements

- <u>Pension tracking systems:</u> Pension tracking systems should become mandatory. The European Tracking Service (ETS), which is co-financed by the EU, cannot succeed if national systems are missing or incomplete. Voluntary participation will never ensure full coverage, as some Member States may only include Pillar I or exclude Pillars II and III. A clear timeline is needed to guarantee ETS functionality. The EU would have the legal competence to make the ETS mandatory by using its legal provisions of free mobility of people and the EU internal market rules. Moreover, even if not explicitly requested in the consultation, CBBA-Europe believes that the time has truly come for the EU to introduce a genuine Directive on the cross-border portability of pension funds. It is inconceivable that, even in 2025, mobile EU citizens should still be unable to transfer their supplementary pension rights between Member States, within a Single Market that is meant to safeguard – and ideally promote – mobility within the Union.

-Auto-enrolment systems: Such mechanisms should be promoted in the EU member states. The intervention of the legislator and a good offer of occupational pensions, including a low-cost state's supported pension fund like the UK Nest should represent a real added value. Life-cycle investment options (and not guaranteed or semi-guaranteed ones) should represent the best default options. Once (and if) the Occupational PEPP (O-PEPP) is created, it should also be eligible for national auto-enrolment mechanisms,

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provided that such mechanisms remain open to competition with national pension funds, thereby ensuring a true level playing field.

- Stronger role for EU institutions: Legislation alone is not enough. The European Commission and EIOPA must be granted the authority to effectively monitor and, if necessary, sanction Member States that obstruct or delay implementation.

- Single market dimension: Strengthening the PEPP and cross-border IORPs is essential for building a genuine European pensions market, in line with the Capital Markets Union and the Savings & Investments Union (SIU).

Conclusion

CBBA-Europe welcomes these reforms, as both the PEPP Regulation and the IORP II Directive require significant corrections. However, the ultimate challenge is supervision and enforcement.

Even under the current framework, the Commission and EIOPA were fully aware that Member States were delaying or misapplying the rules: PEPP implementation was late, and cross-border IORPs faced systematic resistance. CBBA-Europe raised these issues multiple times – through position papers, letters, meetings with EU institutions, and direct testimonies from its provider members – but EU authorities often appeared powerless, or insufficiently determined to act.

For this reason, CBBA-Europe stresses that reforms are necessary but not sufficient. Without strong and credible EU-level supervision, the new legislation risks becoming another empty shell, leaving Europe without the pension reforms it urgently needs.

Finally, CBBA-Europe underlines that this debate goes far beyond pensions. Both the Draghi Report and the Letta Report, as well as the recent SIU Communication (Savings and Investments Union), have clearly highlighted that Europe is losing ground internationally because it has failed to complete its single market for capital, services and long-term savings.

Cross-border pensions are one of the most telling examples of this failure: despite repeated political commitments, national barriers remain strong, and Member States continue to show reluctance to truly integrate their markets.

This raises almost existential questions for the Union itself: can the EU, at a time of major global crises and intense international competition, finally deliver on its promise of a single market? Or will the single market remain a declaration on paper – something that, in practice, no one truly wants?

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CBBA-Europe believes that the time for ambiguity is over. Europe must decide whether it genuinely wants to move forward with integration – or admit that the single market will remain incomplete. The credibility and future of the Union depend on this choice.

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