

POSITION PAPER

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SUBJECT: European Pillar of Social Rights

Delivering on Principle 15 of the European Pillar of Social Rights

The EU needs to address the creeping ageing crisis. Without timely action, pension and care systems will become financially unsustainable and Europe's social ambitions unaffordable. This urgency requires political willingness from European institutions and Member States to adopt policies to expand funded pension systems.

Principle 15 of the European Pillar of Social Rights promises a good pension to EU citizens. Unfortunately, the EU has not yet delivered. The accompanying Action Plan did not contain specific targets on pensions, nor policy measures. Pensions are mainly a Member State competence, but this should not lead to complacency at the EU level. This is in line with recommendation D11 of the [High-Level Group of Experts on Social Protection and the Welfare State in the EU](#).

In this paper, the Dutch Federation of Pension Funds outlines ways in which the Second Action Plan on the European Pillar of Social Rights could promote principle 15.

Europe's creeping ageing crisis and its need for investments

Europe is ageing rapidly. While birth rates have been declining since the mid-1960s, a large group of 'baby boomers' is retiring now, and their life expectancy is higher compared to generations before them. This increasingly puts pressure on pay-as-you-go pension, health, and long-term care systems. A declining share of active Europeans will need to support a growing group of pensioners, both financially and by providing care.

The challenges of an ageing continent are well documented in the regularly published [Ageing Report](#), the [Pension Adequacy Report](#) and the [Communication on Demography](#). Projections for the next decades are worrisome. The EU would go from having three people aged 20 to 64 for every person aged over 65 years in 2022 to having less than two in 2045. Over the same period, EU Member States only project to increase age-related spending by one percentage point. That would seriously impact the level of social protection as well as pension adequacy. This societal ageing is a creeping crisis that competes for political attention with short-term priorities.

European governments are seeking to control government age-related spending and/or the contribution level of public pension schemes. Social investments promoting labour market participation can improve the economic dependency ratio of people in employment economically supporting the retired population. Along with social investments promoting productivity, these measures contribute to competitiveness and the sustainability of government budgets and public pension schemes.

The promotion of labour market participation and productivity go a long way to solving the ageing crisis. Still, more is needed to prevent the erosion of pension adequacy. Retirement income levels should be maintained to avoid social discontent and old-age poverty. At the same time, public pension spending puts government budget sustainability and investments in European competitiveness under pressure while rising pension contributions for employers and employees negatively impact workers' often already tight budgets and, on a macro-level, reduce the overall competitiveness of an economy. Multi-pillar pension systems contribute to robust and adequate pensions.

However, notwithstanding such measures, to maintain a competitive economy and to attain other goals such as the green transition and increased defence capabilities, the EU needs a significant boost in investments. In his much-cited report "The future of European competitiveness," Mario Draghi estimates that the additional investments needs are 750 to 800 billion Euro per year.

To mobilize the capital required for these investments, EU policymakers aim at increasing the capital market participation of EU citizens by making them move savings from bank deposits into more productive and hence also higher yielding investments. In its Savings and Investments Union Strategy, the European Commission identifies the further development of funded pensions to further develop the EU capital market.

Occupational pensions: a strength of social Europe

Occupational pensions can address the challenges of ageing and Europe's investment needs. Rhineland capitalism has produced occupational pension systems characterised by paritarian governance, solidarity, and long-term responsibility. In contrast, Anglo-Saxon pension systems are market-driven and have individual accounts. From a Rhineland perspective, pensions are not just financial instruments but above all core components of the social protection and economic stability.

The Rhineland model of occupational pensions provides a robust framework for addressing two key societal challenges: ensuring adequate retirement income for an ageing population and mobilizing long-term capital for Europe's strategic investment priorities. To unlock its full potential, we call on policymakers to recognize and support the Rhineland model of pensions. By creating the right conditions and regulatory frameworks, they can enable pension funds to play a

larger role in financing Europe's future—without compromising the trust and security they provide to millions of workers.

How occupational pensions can contribute to a robust EU – integrate the social dimension

Pension as a social right

In the Rhineland Model, pension policy's primary goal is ensuring a retirement income that is sufficient to ensure a decent standard of living for older people. In the EU's Savings and Investments Union Strategy, that goal threatens to be subjugated to the development of financial markets. The perspective of pension as a social right needs strengthening at the European level. **Action is necessary on principle 15 of the European Pillar of Social Rights regarding 'old-age income and pensions'**: "Workers and the self-employed in retirement have the right to a pension commensurate to their contributions and ensuring an adequate income. Women and men shall have equal opportunities to acquire pension rights; Everyone in old age has the right to resources that ensure living in dignity." It should receive a more prominent role in the European Pillar on Social Rights Second Action Plan.

To ensure adequate pensions, the European Union should promote broad coverage of occupational pensions – preferably through **mandatory or automatic enrolment in collective agreements**. It should also advocate for adequate levels of pension premium payments and payout in the form of lifelong pensions. To support better insights into pensions by citizens, the European Commission should promote the development of **pension tracking services** in Member States that do not yet have them. Considering the special needs of mobile workers who have pensions in multiple EU countries, the European Tracking Service on Pensions merits special attention.

The planned Commission Recommendations on Auto Enrolment and Pension Tracking Services should be seen as a starting point of a structural **exchange of good practices between Member States, facilitated by the European Commission**.¹ The recommendation should show Member States ways to support automatic enrolment not only in private pension schemes but in particular in occupational pension schemes. For Member States with the Rhineland model of pensions, we see clear advantages in further developing existing systems and building on existing structures.

Moreover, building on the EU Minimum Wage Directive, the Commission should propose a similar framework for Member States to guarantee a minimum public pensions for all inhabitants, irrespective of their career history and gender. Member States should be invited to set realistic pension targets reflecting both adequacy and long-term financial sustainability, in particular in terms of reducing the number of elderly at risk of poverty and social exclusion.

¹ This is in line with the [Financial Services Committee's contribution to the follow-up work to the Eurogroup statement on the future of the CMU](#), November 2024

Integrate pension adequacy in European economic governance

To address the ageing crisis, pension adequacy and financial stability of pension systems should be seen as two sides of the same coin. An adequate but underfunded pension system is a recipe for social unrest, but so is a system that leads to insufficient pension provision. Shortcomings in either impact European economic stability or growth. Pension adequacy should therefore be integrated in the European economic governance framework.

First, policy makers need more insights. The Commission's Directorate-General Employment, Social Affairs and Inclusion (DG EMPL), Directorate-General for Economic and Financial Affairs (DG ECFIN) and the Member States should collaborate at a **European Pension Dashboard**, covering state, occupational and personal pensions, to create transparency on the situation of pension systems in terms of both financial sustainability and pension adequacy.²

The Commission should produce this Pensions Dashboard according to [EIOPA's recommendation](#). It should combine information on public and private pensions, based on a common European methodology. The Pensions Dashboard should provide input for the EPSCO and ECOFIN Council in the European Semester to organize "peer reviews" between Member States. The Pensions Dashboard should be public to create an objective yardstick for debate on pension systems. There is competence question which institutions can access first pillar information, and which second and third pillar information. This may be a legitimate concern in allocating the responsibility, but no reason for not delivering.

Second, Member States should be encouraged to formulate **measurable goals, along with concrete policy measures and milestones to address the challenges of pensions and ageing**. A useful precedent for this approach can be found in the Recovery and Resilience Facility (RRF) the EU's instrument for supporting Member States in their post-COVID-19 recovery. The RRF provides financial support to countries that implement national reform and investment plans aligned with EU priorities. Within these national plans, Member States have already included 26 specific reforms and investments directly related to pension systems. These range from raising the retirement age and adjusting pension indexation, to improving the sustainability and adequacy of pensions over the long term.³ We should build on these examples and encourage further structured action, using similar goal-setting frameworks to guide long-term policy planning in this area.

² This is in line with the [Eurogroup Statement on the future of Capital Markets Union](#), March 2024 and [Council Conclusions on Pension Adequacy](#), June 2024.

³ The [European Court of Auditors](#) points out five of these measures relate to occupational pensions. Examples are the development of a pension tracking service in Germany and the implementation of occupational pension reforms in the Netherlands.

Third, pension adequacy should be part of the preventive and corrective rules of the Stability and Growth Pact. Since 2011, the Commission has issued nearly 450 pension-related country-specific recommendations. Only 29 recommendations have been given in the period 2019-2024. The [European Court of Auditors](#) points out these recommendations focused on the financial sustainability of pension systems rather than on pension adequacy. DG ECFIN and DG EMPL should collaborate to renew attention of **ageing and pensions in country-specific recommendations, focusing on pension adequacy** in addition to financial sustainability.

We are in favour of making EU funding conditional on making progress on economic and social goals. That can motivate Member States to prioritize long-term policy goals, such as addressing the creeping ageing crisis.

Close gender pension gaps

Pension systems have major inequalities in the form of gender pension gaps. These gaps are largely the result of gender inequalities in the labour market, such as the gender pay gap, part-time work and work in lower-paid jobs and sectors. Therefore, closing gender pay gaps, equal opportunities to work and supporting systems are vital for closing gender pension gaps. Still, pension policy choices can also contribute to closing gender pension gaps.

The ambition in the 2025 [EU Roadmap for Women's Rights](#) to close gender pension gaps should be addressed in the second Work Plan on the European Pillar of Social Rights. [EIOPA's Occupational Pension Stakeholder Group advice for gender pension gap and occupational pension sector](#) merits attention.

Informal care – a form of unpaid work – is a major source of pension gaps. In most cases, people do not accumulate pensions during care leaves and care-related part-time work. Because of cultural expectations, this mostly affects women. In ageing societies, the demand for informal care will likely grow. It is therefore in the collective interest to facilitate pension accumulation for those that deliver informal care.⁴ The [Commission's study on care credits in occupational pensions](#) gives some good practices. Member States should be encouraged to find ways of adequately acknowledging care work in a way that fits their respective pension system. Care work should be defined inclusively with a broad range of caregiving activities, including parental, elderly, disabled and long-term care.

Gender pension gaps widen at each life event. The European Commission should facilitate the exchange of best practices around **closing gender pay and pension gaps around life events**. For example, equal division of state and occupational pension rights should be the default option in case of divorce or separation. And survivor benefits for widows and widowers could be promoted in occupational pension schemes.

⁴ This is in line with the Social Protection Committee and Commission's [Key conclusions on 2024 Pension Adequacy Report](#), May 2024

Coordinate Pension Policy Interservice

To support Member States in finding ways of strengthening their occupational pension systems and strengthening principle 15 of the European Pillar of Social Rights, a European working group on ageing should be formed and tasked to formulate a **Pension Policy for a Social and Competitive Europe**. These recommendations might, for instance, cover best practices related to topics such as automatic enrolment and pension tracking systems. In many Member States, social dialogue at the national level is a driving force for finding appropriate solutions to social challenges, including pension issues. Therefore, social partners should be invited to contribute.

In general, DG EMPL, DG ECFIN and the Directorate-General for Financial Stability, Financial Services, and Capital Markets Union (DG FISMA) should coordinate social, economic and employment aspects and make ageing and occupational pensions more prominent in the European Union.