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The European Federation of Investors and Financial Services Users
Fédération Européenne des Épargnants et Usagers des Services Financiers

PRESS RELEASE

Pensions Inadequacy: the high fees often charged by European Pension Providers prevent many EU Citizens from enjoying a decent retirement

Brussels, 25 September 2019 - For the seventh year in a row, BETTER FINANCE embarked on the herculean task of gathering all the data on private pensions in 17 EU Member States and published its annual report on the real net returns of long-term and retirement savings in Europe. Despite the fact that the European Supervisory Authorities (ESAs) have a legal duty to collect, analyse and report data on "consumer trends" in their respective fields, the "Pension Savings – The Real Return" Report remains the sole[1] and unique study looking at the performance and costs of long-term and savings products in the European Union.

If it were not for this report by BETTER FINANCE, EU citizens and public supervisors would remain completely in the dark with regards to the real net performance and costs of those products that form the backbone of the European pension system.

Whereas the report is even wider in scope this year, covering 17 pension systems and 87% of the EU population, the results unfortunately continue to point to the same worrying conclusion:

For years now, public authorities have insisted on the fact that that citizens need to take their responsibility and start saving more and for longer to achieve income adequacy at retirement. So far, our research indicates this advice may be misplaced: in far too many instances, saving more would only make you lose more. Crucially, it ignores a key reason as to why too many long-term and pension savings are failing to provide for an adequate replacement income: insufficient and sometimes even negative long-term real (after inflation) returns.

Whereas asset allocation and unsuitable investment styles may share a part of the blame, fees and commissions are the main reason behind low returns on pension products, destroying the real (after inflation) value of pension savings over the long-term. Inflation, though conveniently ignored, also plays an important role in destroying the value of your savings.

How can we tell that it is fees that are mostly to blame for poor pension returns? Our statistics cover a wide range of investment styles and asset allocations, yet a simple European capital markets benchmark overperforms the vast majority of pension products on all investment horizons. This is clearly shown in the table below, which is divided into 3 different sections, representing different time frames for different countries and retirement products for which data was available. Just one out of five pension savings products outperformed the market.[2]

With such poor prospects ahead and European savers looking at a future with inadequate replacement incomes for their retirements, it is no wonder that investments and pensions continue to rank as one of the worst consumer markets in the entire European Union according to the European Commission's Consumer Scoreboards[3]. With an ageing population, the EU can ill afford to continue down this road and needs to look into solutions to diffuse this ticking time bomb that is European pensions.

"The proposed pan-European Personal Pension Product (PEPP) could go a long way towards alleviating this worrying situation", stresses Axel Kleinlein, the President of BETTER FINANCE, *"provided the PEPP*

[1] Bar the exception of excellent but incomplete research by the OECD.
[2] 50% equities (Stoxx All Europe Total Market) – 50% bonds (Bloomberg Pan-European Aggregate) yearly rebalanced: index does not include costs
[3] Consumer Markets Scoreboard: making markets work for consumers - 2018 edition

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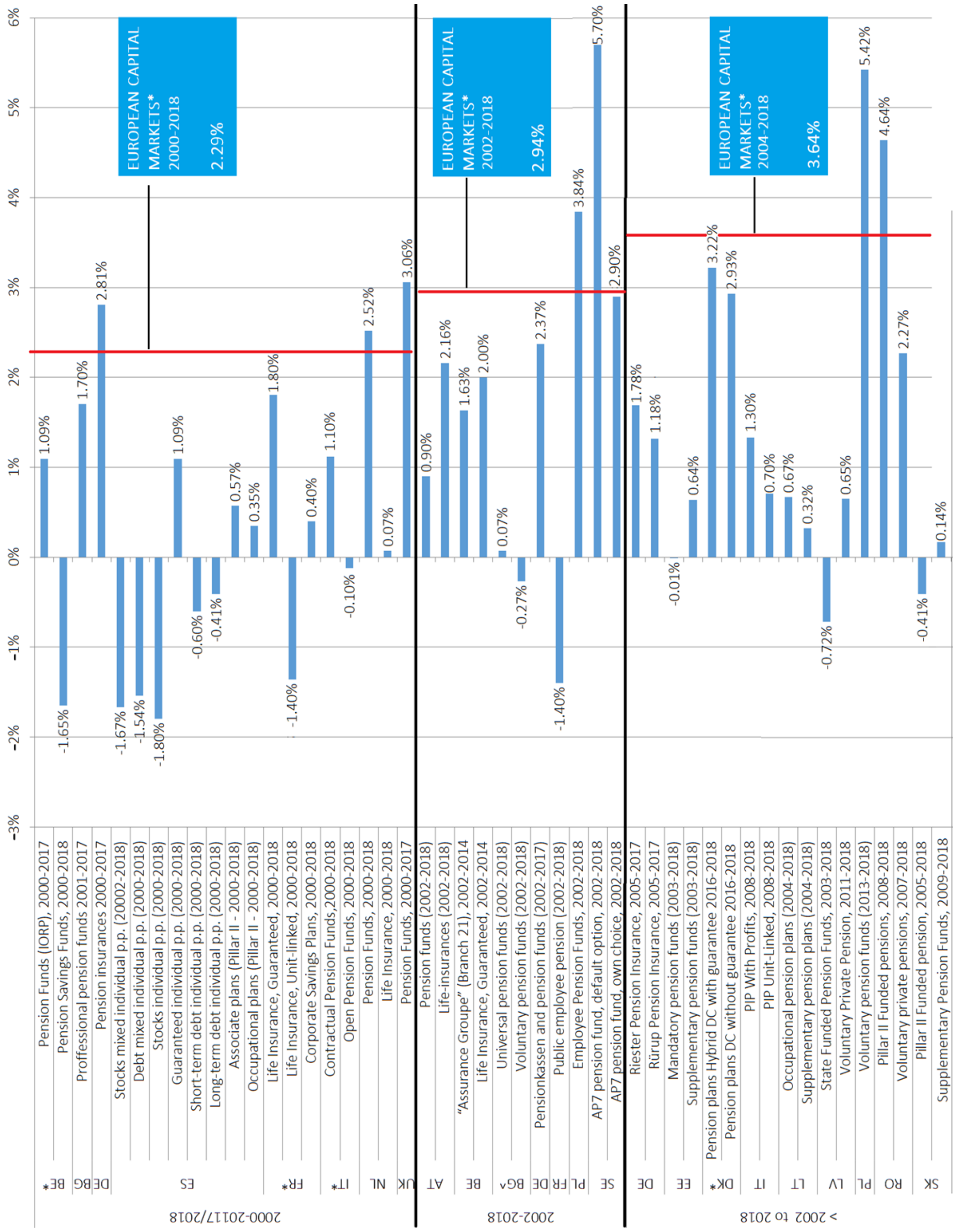
ensures pension adequacy through decent long-term returns and a "basic PEPP" (default investment option) that is really safe and really simple, backed up by real "Capital Protection"." In fact, BETTER FINANCE is happy to have 2 representatives on the European Insurance and Occupational Pensions Authority's (EIOPA) Expert Practitioner Panel[4] on PEPP that will develop solutions and provide smart policy advice to incentivise financial innovation to the benefit of European consumers.



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[4] Expert Practitioner Panel on the Pan-European Personal Pension Product (PEPP)