

PRESS RELEASE

The Advent of Corona Pensions - 2020 is the Turning Point for Pension Policies

25 September 2020 - BETTER FINANCE releases the eighth edition of its report on the [Real Return of Long-Term and Pension Savings](#), which marks a new milestone for the series, since it is the first to cover 20 years of historical track record for retirement provision vehicles. At the same time, the report comes against the background of a pandemic that is taking its toll on pensions as well. What happens now will dictate the pensions outlook for decades to come.

Although all returns improved in 2019 thanks to strong equity and bond market performances, too many pension schemes covered by the report still reveal either negative or very low long-term returns once charges and inflation are deducted. Furthermore, since the end of 2019, these assets have dropped in value, most likely cancelling out a big part of last year's gains. Today's severe recession also generates a slowdown in pension contributions.

With as much as two decades worth of returns, charges and asset allocation data, BETTER FINANCE once again raises the alarm and stresses that a reform of pension and capital market policies is necessary in order to mitigate the effects of the health crisis on pension adequacy.

Some key issues we continue to observe¹:

- Supplementary - mostly individual (pillar III) - schemes underperform on average occupational - collective (pillar II) - pension plans;
- The vast majority of pension products underperform² a simple capital markets benchmark (50% equity – 50% bonds);³
- Fees continue to weigh heavily on nominal returns as conflicts of interests in distribution continue unabated; and
- The asset allocation of pension funds has increasingly shifted to fixed income and packaged assets (collective investment undertakings) versus direct holdings in securities.

For Guillaume Prache, Managing Director of BETTER FINANCE, *“this is the perfect mix to destroy the real value of pension savings over the long-term, especially as we have entered a new period of maximum financial repression, with Public Authorities having explicitly chosen to sacrifice the protection of long-term savers to the artificial reduction of the Member States’ debt costs, by granting unprecedented subsidies to governments and banks (in the form of negative interest rates and massive public debt purchases). Some Member States have even allowed pension savers to dip into their pension piggy banks by authorising early withdrawals, and some pension schemes have already announced that Covid-19 may well force them to lower even nominal pension rights.*

The advent of “Corona Pensions” is another blow for European pension savers.”

BETTER FINANCE put forward 11 key policy recommendations to address the most pressing issues for private pensions and create an environment that stimulates decent long-term returns. Among those, we reiterate the most important ones below:

¹ NB: Wherever sufficient data is available.

² See Annex 1.

³ The *equity* part is made of the STOXX All Europe Total Market (NR) and the *bonds* part is made of the BBarc Pan-European Aggregate Bond Index.

1. *Harmonise and reinforce rules to effectively curb conflicts of interests in the distribution of long-term and pension savings products.*
2. *Restore standardised long-term and relative past performance disclosure for all long-term and retirement savings products.*
3. *Grant special treatment through prudential regulations for all long-term & pension liabilities (eliminate the debt bias).*
4. *Simplify the “basic PEPP” and allow direct investments into capital markets (plain vanilla stocks, bonds index ETF) for PEPP savers.*
5. *Urgently impose harmonised and comprehensive insurance guarantee schemes across the EU since a majority of personal pensions are insurance-based and -regulated.*

Additional information:

- Download the [Full 2020 Report](#) on the BETTER FINANCE website.
- BETTER FINANCE created a simplified version of the Pensions Report ([Booklet](#))
- BETTER FINANCE digitalised the nominal and real net performances of all pension products covered by the Report [on a user-friendly online interface](#).

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Annex: Annualised Real Net Returns of Pension Savings - See next page



ANNUALISED REAL NET RETURNS OF PENSION SAVINGS - BEFORE TAX

