

European Commission | Directorate-General for Financial Stability, Financial Services and Capital Markets Union

Reference: Targeted consultation on supplementary pensions (published on 13 June 2025)

## **Finance Finland considers supplementary pensions essential and emphasises the importance of encouraging people to save for them**

### **1 Finance Finland supports the overall objectives outlined by the Commission**

Finance Finland (FFI) welcomes the Commission's intention *to increase the take-up of supplementary pensions* across Europe as outlined in the Commission's communication of 19 March on [the Savings and Investments Union \(SIU\) strategy](#). FFI supports the Commission's guiding principle of promoting the uptake of supplementary pensions, both to increase financial security in retirement and to strengthen the supplementary pension sector as a long-term investor.

As also noted in [the consultation](#), the diverse structure of pension systems in across Member States does not allow for a one-size-fits-all policy approach. In this regard, it is particularly valuable that the current consultation aims to identify best practices and useful ideas, and to proceed with recommendations.

### **2 The suggested actions do not address the underlying reasons for the low uptake of supplementary pensions**

The suggested actions appear to diverge somewhat from actual market observations regarding consumer behaviour. **The low uptake of supplementary pensions is not primarily due to product design issues nor the absence of pension tracking tools or auto-enrolment mechanisms** — which are emphasised in the consultation.

In Finland, the main reason for the declining demand for supplementary pensions during the past 20 years has been *the consecutive increases in the retirement age* implemented through changes to the rules governing the tax deductibility of pension premiums. With each increase in the retirement age, sales declined — and just as the market began to recover, another increase followed. The last increase raised the retirement age so significantly (to 68–70 years, even exceeding the statutory retirement age in the mandatory pension system) that the market has not recovered since.

As of January 1, 2027, tax deductibility will be fully revoked. This is unfortunate, as incentives play a crucial role when the objective is to encourage long-term saving with a pension goal in mind. **Without a reasonable incentive, individuals are unlikely to commit to locking in their savings until a fixed retirement age.**

Another key reason for the low uptake of supplementary pensions is *that some individuals simply cannot afford to save for retirement*.

This is why **FFI sees no need for legislator-driven detailed product design**.

*Pension saving products already exist and have been quite popular over the past decades.* These include third-pillar pension insurance and long-term account-based pension products. Both have similar tax treatment and share the same high retirement age. In 2022, the PEPP product was also granted the same tax treatment, provided that the retirement age requirement is met.

*The regulatory framework for second-pillar pensions is also in place in Finland, is functioning well, and the products have maintained relatively steady demand.* Unfortunately, the new tax rules will also revoke the tax deductibility of the employee contributions to second-pillar supplementary pensions as of January 1, 2027. This change is expected to affect the already existing arrangements and may reduce the overall popularity of these second-pillar products.

### 3 Conclusions

The main reason for supplementary pensions' decline in Finland has been the legislators' decision to raise the retirement age of supplementary pensions to a level that even exceeds the statutory retirement age by several years. The final blow came when the government decided to abolish the tax deductibility of third-pillar pension savings entirely, effective from January 1, 2027.

**The regulatory framework and viable supplementary pension products are already in place, but the market has effectively disappeared due to changes in tax policy.**

Rather than regulation-driven, detailed product design, what is needed are clear, *reliable and reasonable incentives* to encourage the uptake of supplementary pensions — along with a commitment to avoid excessive regulation in this area.

FINANCE FINLAND

Hannu Ijäs