system and capital markets, according to some commentators.

At the end of June, commercial entities managed €43bn of pension savings within personal pension products and €27bn within 'open' pension funds. This compares with €63bn of assets in industry-wide pension funds and €66bn in corporate pension funds. Personal and open pension funds have been growing steadily in terms of members and assets, whereas non-commercial funds have recorded sluggish growth, despite the latter being the cheaper option.

Second-pillar appeal

A heartfelt appeal to policymakers to reinvigorate second-pillar pensions came earlier this summer from the National Council for Economics and Labour (Consiglio Nazionale dell'Economia e del Lavoro, or CNEL), a constitutional body that advises the government, parliament and regional authorities on various matters.

Former minister Tiziano Treu, the president of CNEL, called on policymakers to "step up" the development of the second-pillar system, particularly given the challenges for the Italian economy and the need for long-term capital.

Arianna Immacolato, director of fiscal and retirement policy at Assogestioni, laid out the association's plans to strengthen the second-pillar system.

Immacolato described three "targeted interventions" that would generate an increase in membership, particularly among younger workers This, in turn would bring about "positive externalities" in the form of a more developed capital market.

Assogestioni advocates the restructuring of the current system for automatic enrolment of workers into second-pillar funds. At the moment, workers who do not voluntarily opt-out within the first six months of employment have their 'Trattamento di Fine Rapporto' (TFR, the share of gross salary paid into a severance pay fund) paid into an industry-wide pension fund.

This, says Immacolato, has produced poor results, as shown by data from COVIP, the pension industry regulator, which recorded 17,000 new members who did not opt-out during 2021. The overall number of new members of second-pillar funds was 664,066 for the year, with the majority of new members enrolled through different channels.

Two-thirds of the labour force, however, have decided to opt-out of second-pillar funds altogether.

The association proposes a 'mixed' automatic-enrolment mechanism, whereby workers may opt-out of second-pillar funds at any point within their careers, instead of 'forcing' them to enrol into second-pillar funds at the beginning of the working life.

Assofondipensione also proposes that contributions are not automatically invested in the default option, which is usually a guaranteed product with poor returns and large costs. The association hopes that the development of PEPPs alongside other solutions will deliver lifecycle options that are more adequate, particularly for younger workers.

The payout phase also represents a weakness in the second-pillar system, according to Assogestioni. At retirement, the majority of workers can ask to withdraw up to 50% of their pension pot in cash, while the rest has to be converted into an annuity.

However, the annuity market in Italy suffers from a lack of size and competitiveness. Assogestioni proposes that all workers have the right to cash out all of their pension pot, an option that is guaranteed for future savers into PEPPs.

Finally, the association called for a review of the taxation model. In the current ETT (exempt, taxation, taxation) model, contributions of up to around €5,000 per year are exempt from taxation while returns and benefits are taxed. While recognising the limited room for further tax reductions, Assogestioni proposes incentives for workers who are saving on behalf of their families as well as lower overall tax rates on realised returns.

ITALY: KEY DATA

Pension assets: €206.4bn

Occupational pension assets as % of GDP: 9.7%

Working population: 25m

Projected old-age dependency ratio: 61.5

Gross average replacement rate: 74.6%

Asset allocation (%)

Sources: Pension assets – IPE research; Occupational pension assets as % of GDP – OECD June 2022; Working population, data as of end 2021 – World Bank; Projected old-age dependency ratio 2050 per 100 people – Eurostat 2021; Gross average replacement rate – OECD Pensions at a Glance, 2021; Asset allocation – OECD Pension Funds in Figures, June 2022

Top pension funds

	Pension fund/entity	Assets (€'000)
1	Fondazione ENPAM	26,254,000
2	Cassa Nazionale di Prev. e Assist. Forense	16,333,000
3	Previndai-Fondo Pensione	13,670,800
4	Fondo Pensione COMETA	13,473,800
5	Inarcassa	13,041,000
6	CNPADC	10,560,000
7	Fondazione Enasarco	8,435,000
8	FONCHIM	8,179,700
9	Intesa Sanpaolo SpA	7,490,700
10	Fondo Pensione FonTe	5,012,300
11	UniCredit Group	4,579,300
12	Fondo di Previdenza Mario Negri	3,848,500
13	Laborfonds	3,638,200
14	ENPAF	3,491,000
15	Previp	3,227,200
16	Fondenergia	2,986,800
17	Fondo Pens. Nazio Banche di Credito Coop.	2,831,200
18	Fondoposte	2,777,900
19	CNPR	2,746,000
20	Fopen	2,730,100

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