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PERSPECTIVES

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The German Pension Reforms Part II: Shape Shifting

Weeks after the approval of the [Altersvorsorgedepot](#) (AVD) reform set to redefine Pillar 3 personal pensions, Germany is preparing for its next wave of pension reforms. This time, the future is coming for collective pensions. Recommendations are hinting towards a similar digital-first, cost-efficient, end investor-centric reform of the **betriebliche Altersversorgung** ***(bAV).***

What's going on

On June 23, 2026, the German pension commission (*Alterssicherungskommission*) handed a set of 33 recommendations to the Federal Government. While most focused on statutory pensions (Pillar 1), it specifically outlined occupational pensions as a core pillar to solve the German pension equation.

Specifically, the recommendations aim to:

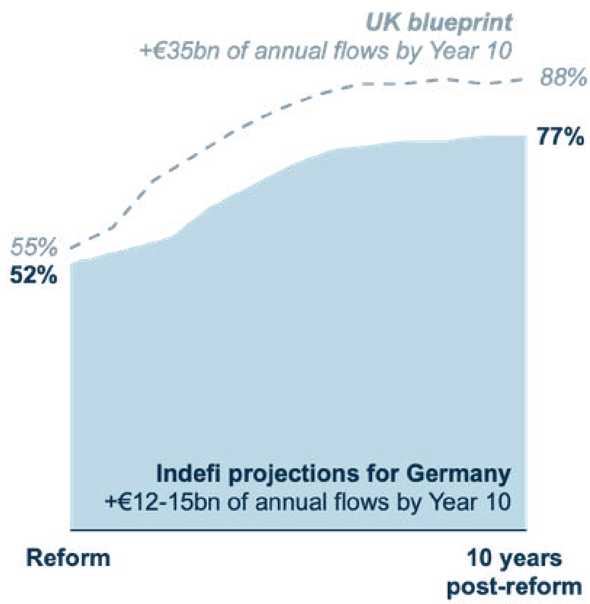
1. **Reach near-universal coverage of workers under a Pillar 2 model.** Uptake of the defined-contribution *Sozialpartnermodell* has so far stalled at 40,000 employees. While the BRSG II (*Betriebsrentenstärkungsgesetz*) seeks to widen access, it also places an ultimatum: double the number of employees covered by March 2028, or reform. The commission's recommendations for the 2026 *Sozialpartnerdialog* have anticipated this and propose to let employers gain unconditional access regardless of union consent, shift to an opt-out model and even introduce a bAV-Obligatorium making occupational-pension a requirement.
2. **Increase attractiveness of the bAV** by focusing on lower costs, reduced bureaucracy and portability across schemes. Moreover, the language shifts away from guarantees to returns and flexibility, as seen for the AVD, foreshadows a similar move in Pillar 2. This would likely further boost attractiveness of bAVs.

The parallels with the AVD reform are clear: increase uptake, lower costs (esp. costly guarantees), simplify and digitalize. In addition, the option for employers to contribute directly into employees' personal AVD clearly positions the new digital-first cost-efficient construct as the blueprint for the future of corporate pension products in Germany. It is likely that these recommendations will surf on the expected success of the AVD reform and make its way through the German legislative process over the coming years.

Why this is important

1. **Near-universal coverage implies a step change in bAV flows.** Currently only 52% of workers are covered by a bAV scheme, with small firms sitting at just 25% against 86% for large corporates. Systematic opt-out mechanisms address an untapped pool of contributions. The UK's auto-enrolment reform provides a blueprint: coverage went from 55% to 88% in under a decade, with the largest gains concentrated among low earners and small employers – precisely Germany's gap today. We conservatively estimate an additional 25% of the workforce covered within five years of reform, representing an estimated €100bn of extra capital accumulated over the next decade.
2. **It will further disrupt the value chain** and reshape the winners in the German corporate pension world. As for the AVD, this plays to the strengths of capital-light, digital-first models (namely asset managers and digital distributors, with insurers needing to reinvent their model to maintain presence). By potentially shifting the investment decision from collective bargaining to corporates (or even the individual in case of employer contributions to the AVD), the gatekeeping dynamic will be reshuffled.
3. **Flows are likely to shift to DC schemes.** As they become more attractive, available and portable, we can anticipate a gradual shift away from legacy guaranteed DB schemes. Some DB schemes may shift to run-off, opening the door to Pension Risk Transfer (PRT) and *Rentnergesellschaften* opportunities for asset managers.

Worker participation rate in occupational pension schemes in the UK (2012-2021) and Germany (projected)



Sources: UK Department for Work & Pensions, German Bundesministerium für Arbeit und Soziales, Indefi analysis.

What this means for asset managers

First, the recommendations provide further optionality for those deploying the AVD playbook. The winners of Pillar 3 today should also be the winners of Pillar 2 tomorrow.

Second, it reinforces the direction of travel across Europe: lower information asymmetry, fewer high-walled intermediated market segments where fat margins persist through legacy distribution partnerships, more power to end-clients and digital intermediaries.

Playing defense will be insufficient and require disruptive evolution: considering stakes in intermediaries, building direct-to-consumer expertise (products, brand, tech…) and, for international managers, leveraging their domestic DC capabilities to secure their presence in Germany.