

German pension fund reform

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October 2026

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Summary

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Germany has the least funded pension system of any major advanced economy – but reform is coming

Germany has the least funded pension system of any major advanced economy. Funded pension assets are just 7% of GDP, against 149% in Sweden and 185% in Canada, see chart below. German household wealth sits mostly in deposits.

Germany saves a lot, but relatively little of those savings have historically gone into scaled funded pensions and growth assets.

Demographics and the desire for scaled pools of domestic capital are now driving change.

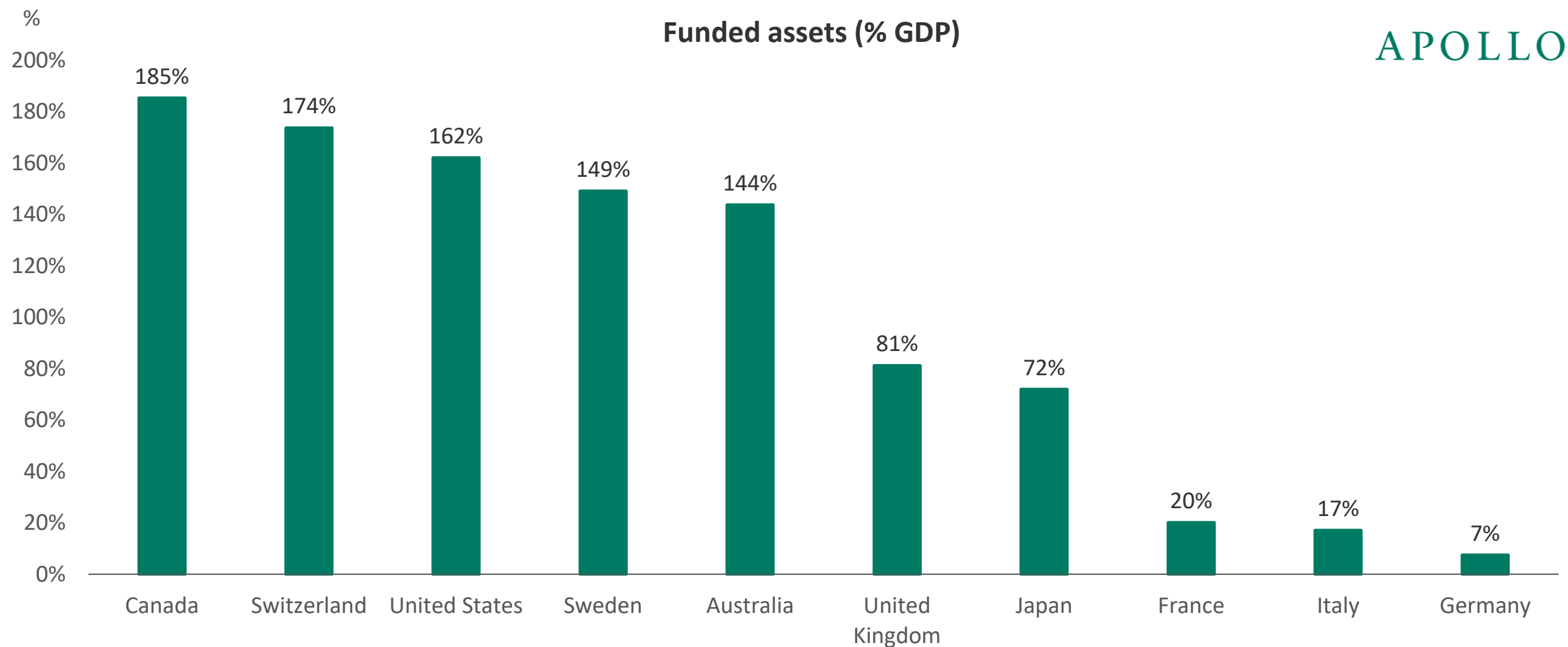
Pension reform could channel 2% of salaries into long-term savings, 1% from employers and 1% from employees. Phased in from 2028 and completed by 2031, that points to roughly €30bn a year flowing into Pillar 1.

Add parallel reforms to private pensions from 2027 and to occupational schemes, and **total inflows could reach around €90bn annually once fully implemented, roughly 2% of German GDP**.

The bottom line is that Germany is starting to build a recurring institutional flow of capital that could deepen German capital markets.

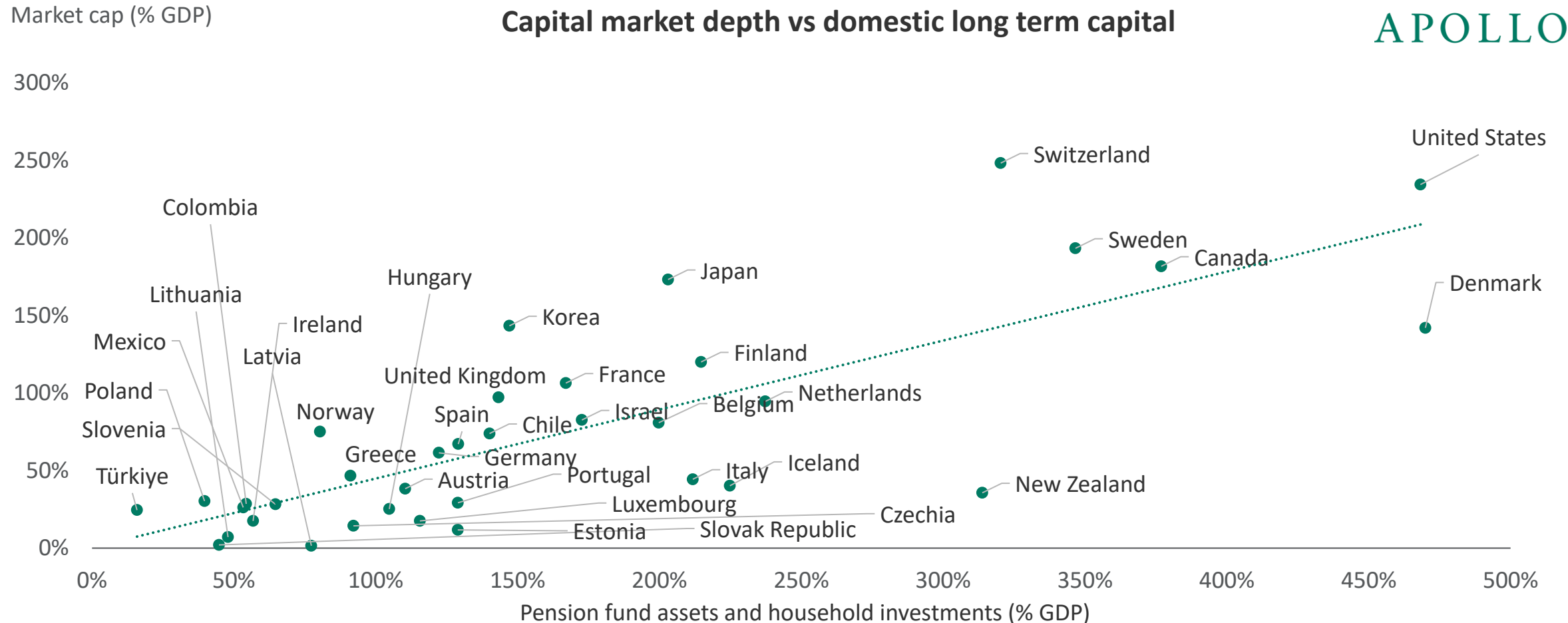
Three things to watch: whether workers make voluntary top-ups, whether the public fund manages the money internally or outsources to external managers, and whether occupational coverage broadens beyond the quarter of SMEs it reaches today.

Germany has the least funded pension system of any major advanced economy



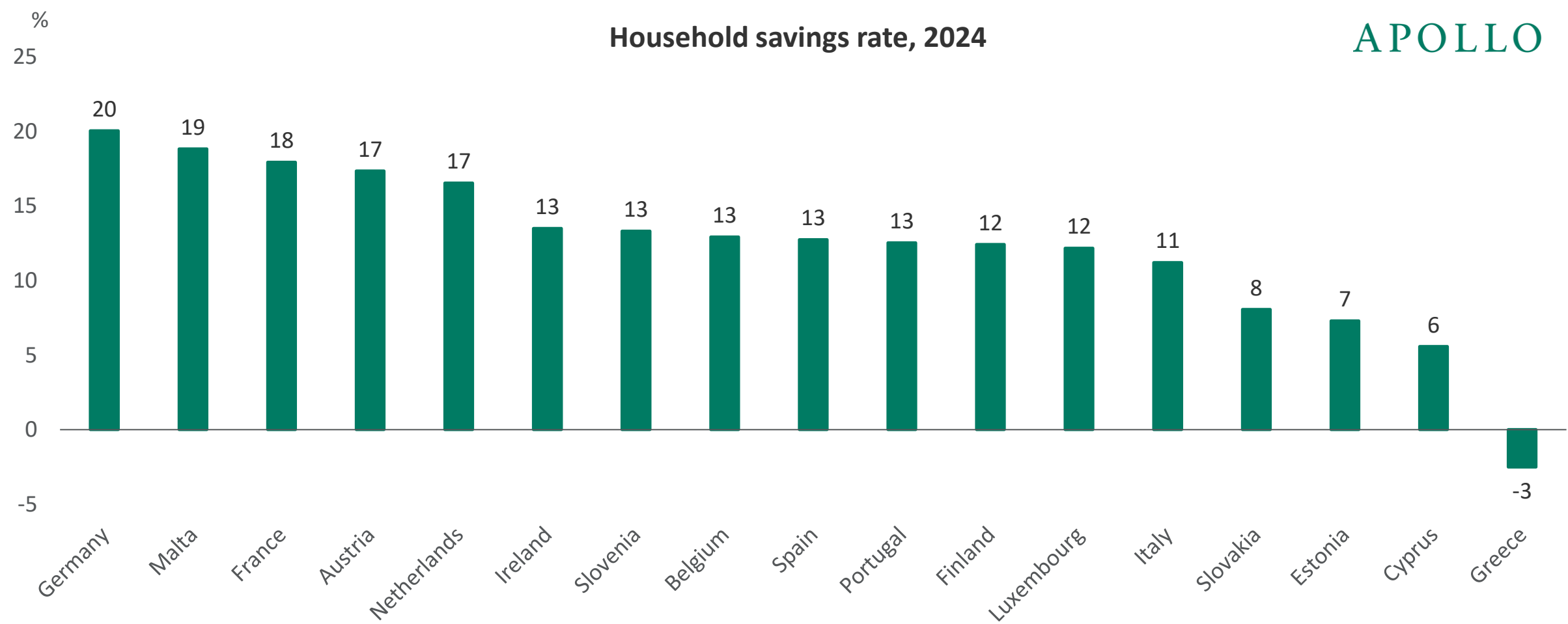
Source: [Pensions at a Glance 2025 \(EN\)](#). Pension fund assets as a share of GDP includes both pension providers and public pension reserve funds, latest available year, Apollo European and Policy Strategist.

Countries with larger pension pools tend to have deeper capital markets



Source: OECD, Bloomberg, Morgan Stanley Research, Apollo European and Policy Strategist. Note: Data as of 2025, if unavailable then 2024, pension fund assets as of 2024. Market cap is equity market.

Germany has the highest household savings rate in Europe

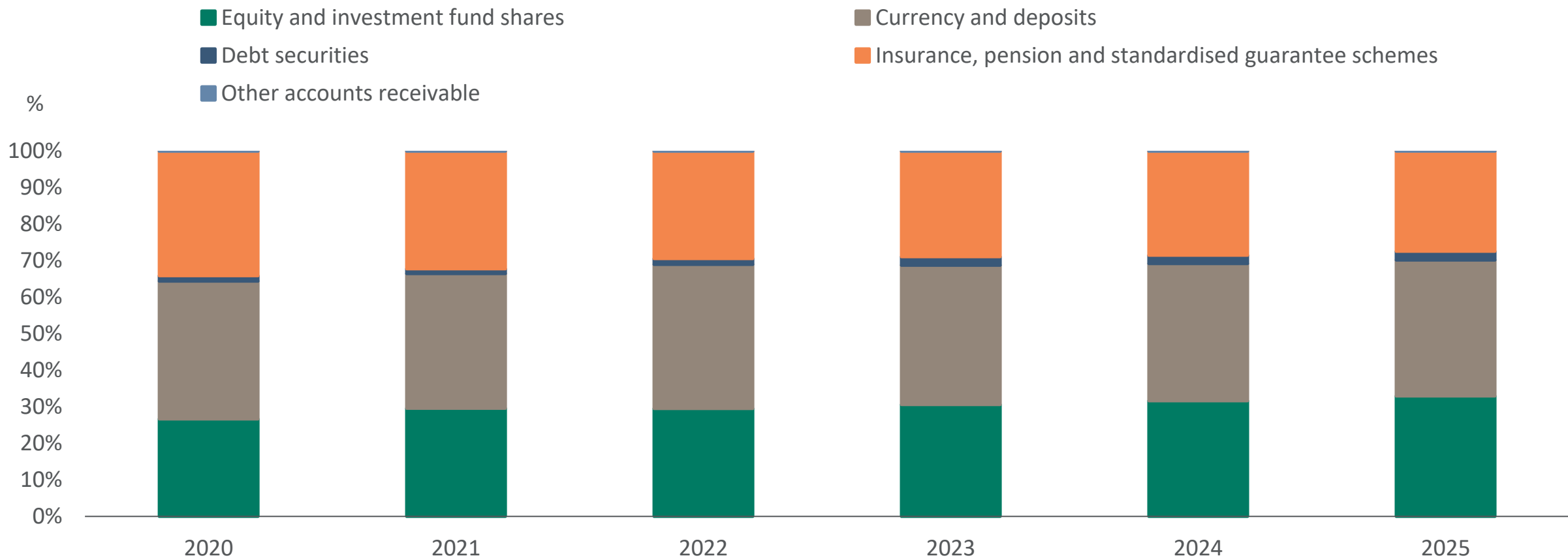


Source: Eurostat, Apollo European and Policy Strategist.

German household savings have been weighted to deposits

Financial assets of German households

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Source: Deutsche Bundesbank, Apollo European and Policy Strategist.

The case for change in Germany's pension system

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Germany's
demographics and pay
as you go system

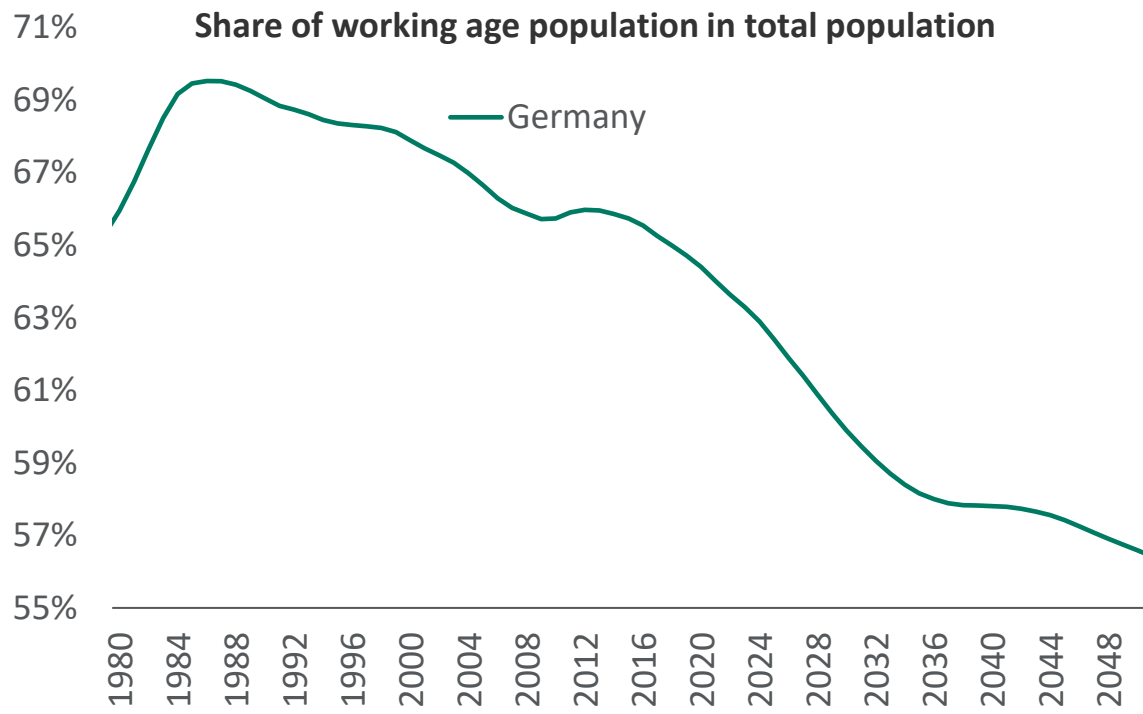
**Lower allocations
to risk assets**

**Limited scaled
pools of long term
capital**

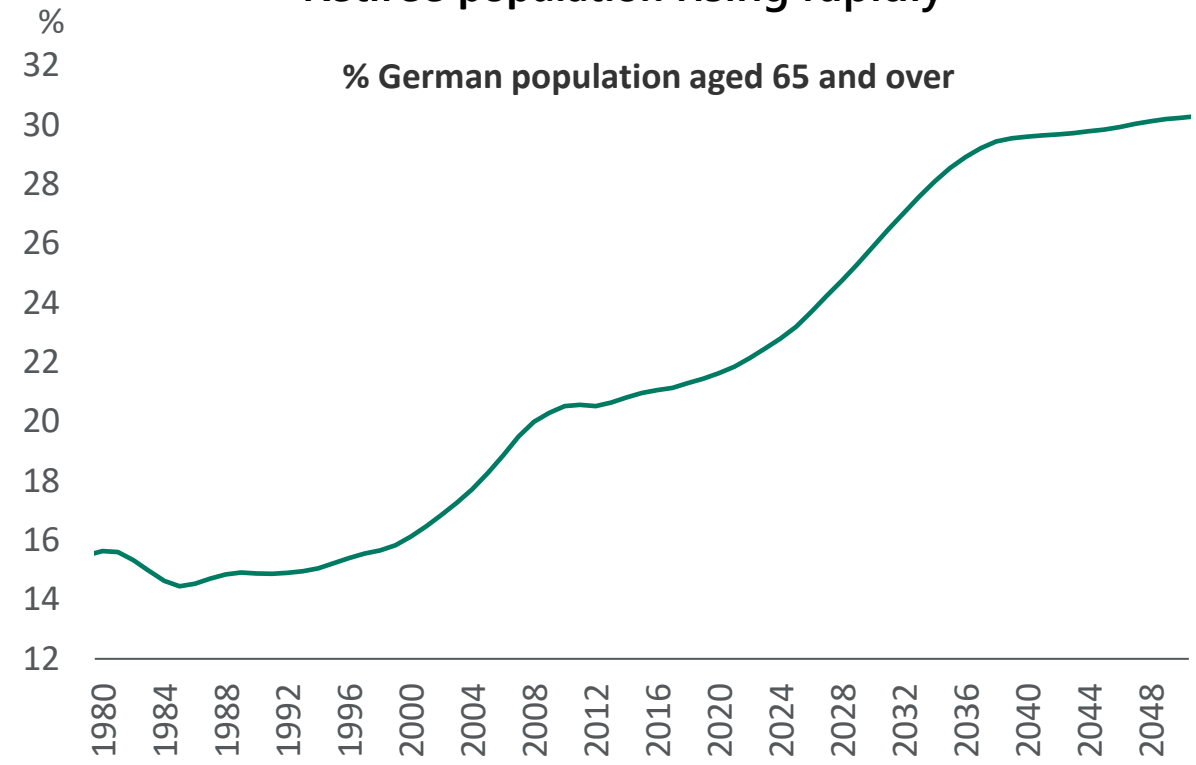
The case for change is clear – fewer contributors and more retirees puts pressure on the system

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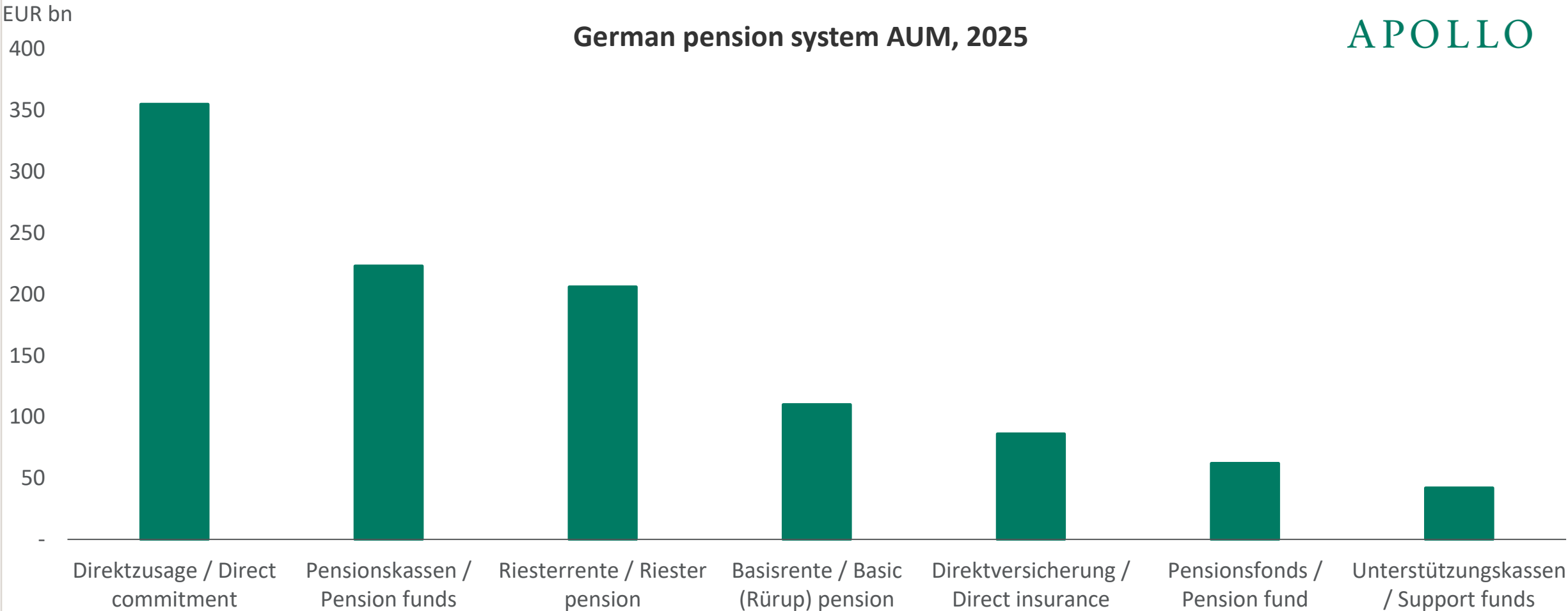
Share of working age population declining rapidly



Retiree population rising rapidly

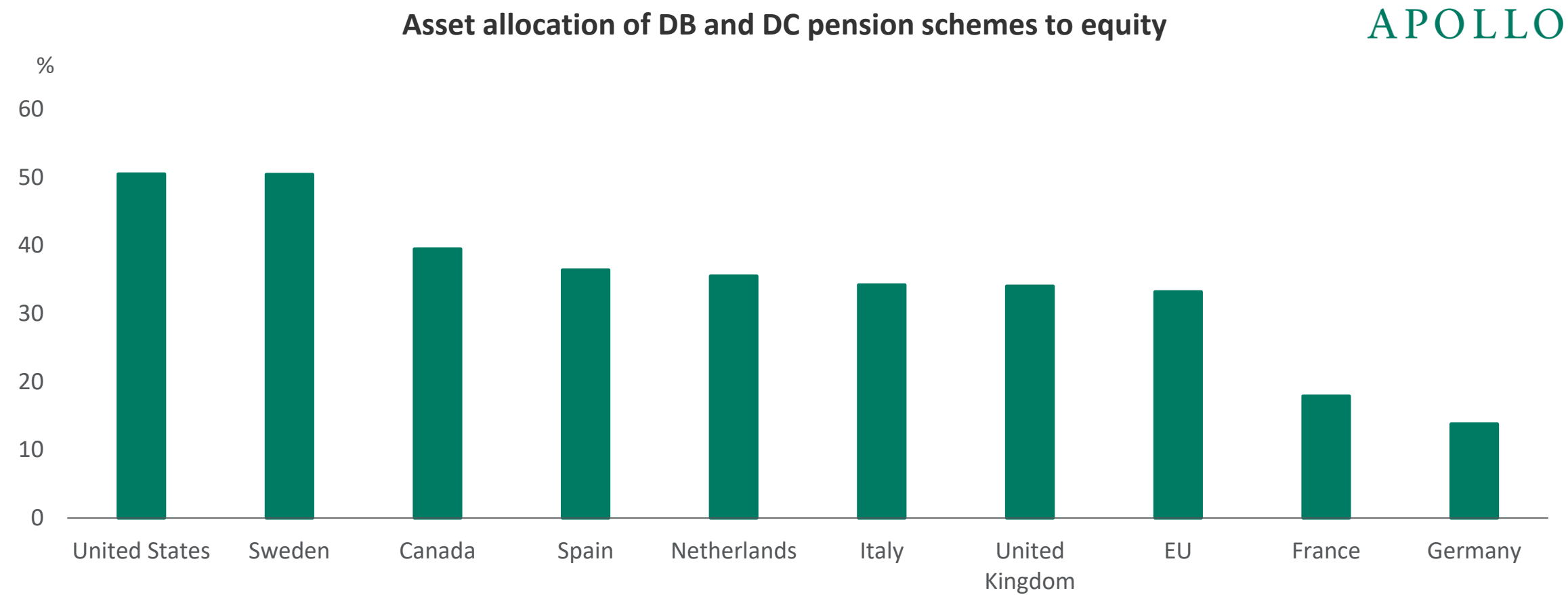


German pension system is fragmented



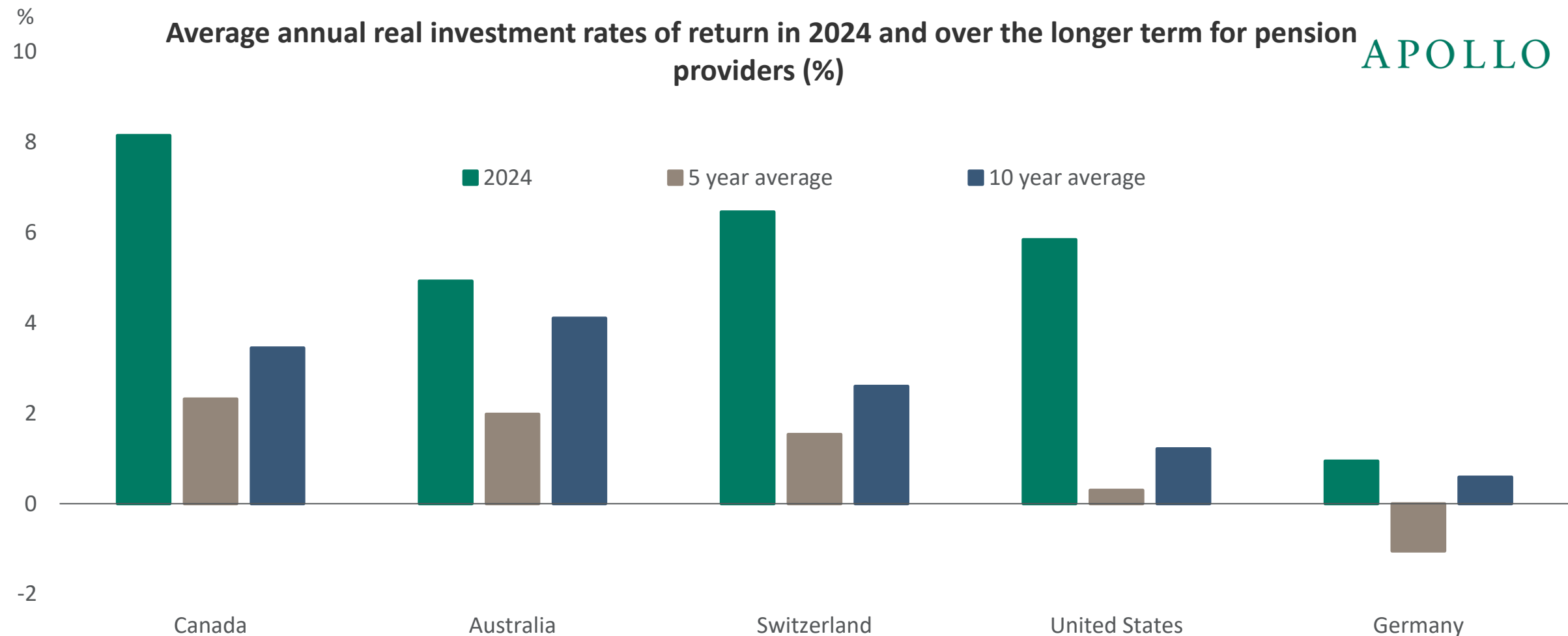
Source: BaFin, AVD, GDV, BMAS, Apollo European and Policy Strategist.

Equity allocation by German occupational pensions is one of the lowest globally



Source: European Commission (2025), Staff Working Document, Table 35 (EU); Federal Reserve, Financial Accounts Z.1, Table S.129.s (US); Pensions Policy Institute (2025), Pension Scheme Assets, Figure 2 (UK); and Statistics Canada (2025), Trusted Pension Funds, Q4 2024 (Canada); caveat: figures are not fully comparable, as the EU covers occupational pension institutions, the US includes public and private pensions and non-equity mutual funds, the UK includes broader retirement assets but excludes private equity, and Canada includes public and private occupational pensions with equity exposure estimated from reported data, Apollo European and Policy Strategist.

Returns have been lower than peers



Source: Pension Markets in Focus 2025 (EN), Apollo European and Policy Strategist.

German pension fund reform at a glance worth ~€90bn or ~2% of GDP

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Pillar 1 – State Pension

- 2% of salaries
- Fee cap 10bps
- Phased in 2028-2031
- Public default, private opt-out
- Scale depends on voluntary top-ups

~€30-35bn per year base case

Pillar 2 – Company Pension

- Expansion of current coverage
- Only ~50% of workers covered today
- Defined benefit → pure DC
- Mandatory 15% employer top-up

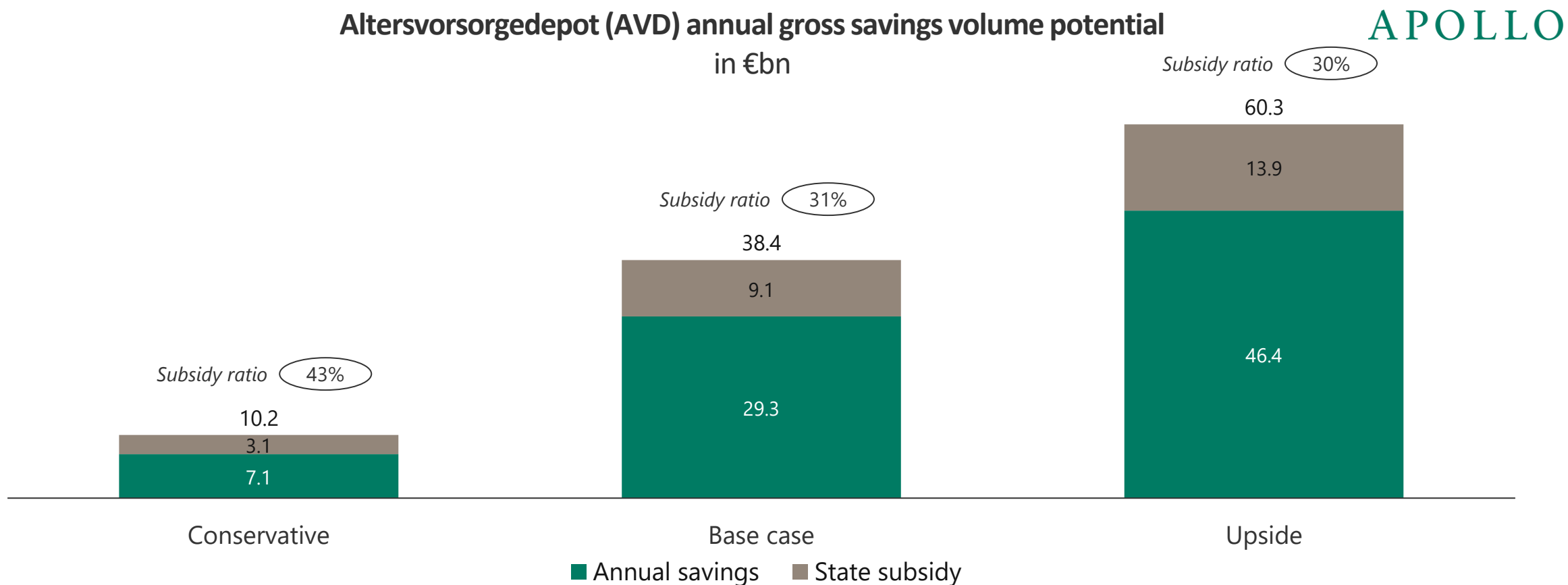
~€15–20bn per year base case

Pillar 3 – Private Pension

- AVD as new alternative to Riester ~45m eligible
- 3 options: Standard (Fee cap 1%), Enhanced (ELTIFs can be included) and Guaranteed. Starts Jan 2027
- Child early start: €10/month per child birth→18; ~€2.2bn/yr
- Self-employed mandatory coverage

~€40bn per year base case for AVD

Base case for Pillar 3 AVD is ~€40bn pa per Oliver Wyman, but material upside and downside scenarios around this



What are we watching?

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Process and take-up

- 33 recommendations proposed
- Contribution cap
- Retirement age
- Final pension design
- Number of SMEs who sign up

Governance

- Who runs the default fund
- Governance important for asset allocation and long term confidence

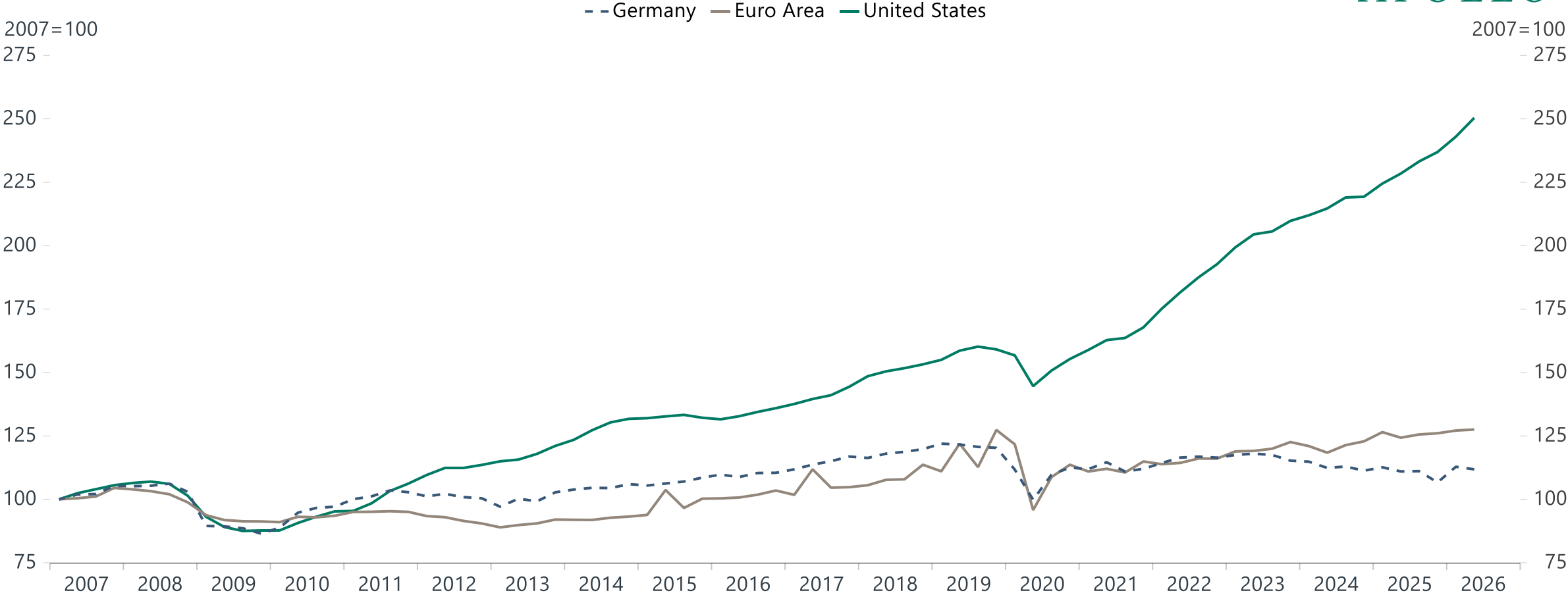
Asset allocation

- Fee cap favours passive strategies
- Likely skewed to global equities (if it follow Swedish model)
- Eligible asset classes

Germany could benefit from more investment

Real non residential private fixed investment

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Source: U.S. Bureau of Economic Analysis (BEA), Eurostat, German Federal Statistical Office (Statistisches Bundesamt), Macrobond, Apollo European and Policy Strategist

In addition, the New Germany Fund has been launched to use public capital to mobilise private investment

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Huw van Steenis is Partner at Apollo where since August 2026 he advises on economic, financial and policy trends.

He serves on the Investment Committee of the Oxford Endowment, the Climate Advisory Board of Norges Bank Investment Management and the MSCI Advisory Council.

Previously, Huw served as Senior Adviser to Mark Carney when he was Governor of the Bank of England, where he led the van Steenis Review on the future of UK finance.

Huw spent 14 years at Morgan Stanley, where he was Global Head of Banks and Diversified Financials Research. He and his teams were ranked No. 1 in investor surveys 12 times.

He has also served as co-Chair of the World Economic Forum's Council on Financial Services, Senior Adviser to the Chief Executive of UBS and Vice Chair at Oliver Wyman. He was educated at Oxford and INSEAD.