The Pan-European Personal Pension Product

Engaging the young generation of European savers

The Problems

36%
is the average replacement rate from public pensions in the EU28 in 2060.

€2 Trillion
is how much more people who retire in the EU28 between 2017 and 2057 would need to save each year to close their pensions gap.

€7.6 Trillion
is how much money was held in bank accounts in the euro area at end 2016.
This figure represented 41% of households' financial wealth.

- A highly fragmented personal pension market
- High cost/Low return
- Limited product choice
- No portability

The Solution

A Pan-European Personal Pension product to:

- Overcome barriers to cross-border distribution
- Encourage competition, achieve economies of scale and reduce costs
- Enhance choice and encourage more people to save for retirement
- Allow portability and facilitate job mobility in the EU

What's in it for you as a citizen?

You get value for money in your retirement savings.

You have a choice between different types of products and providers when buying a personal pension.

You can continue saving in your personal pension if you move to a different country.

What's in it for you as a Member State?

Personal pensions can help secure future pension adequacy.

Citizens can access a simple, safe and affordable personal pension product.

The PEPP will promote a competitive, dynamic and transparent personal pension market in your country.

What's in it for you as an MEP?

Personal pensions portability becomes possible, and citizens' mobility is encouraged across the EU.

People should have access to low-cost personal pensions across the EU.

Personal pensions can strengthen the Capital Markets Union and the funding of the European economy.

efama
European Fund and Asset Management Association

EFAMA is the representative association for the European investment management industry. EFAMA represents through its 28 member associations and 62 corporate members EUR 23 trillion in assets under management of which EUR 14.1 trillion managed by 58,400 investment funds at end 2016. Just over 30,600 of these funds were UCITS funds, with the remaining 27,800 funds composed of AIFs (Alternative Investment Funds).

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The PEPP

- A **pension** product that enables people to accumulate capital for retirement and to keep it invested or to use it to purchase an annuity or finance consumption as needed.
- A **safe** product subject to strong consumer protection and appropriate governance requirements.
- A **highly standardized** product that can be sold across Member States thanks to an EU product passport to generate economies of scale and cross-border activities.
- A **simple, transparent and cost-effective** product thanks to disclosure requirements and competition between market players.
- A **well-governed** product that can be manufactured by EU regulated insurers, banks, IORPs and asset managers, and be sold through different distribution channels.
- An **EU-labelled** product to be offered alongside existing national personal pension products to complement public and occupational pensions.

The PEPP Framework

What should be standardized?

- A pre-contractual Key Information Document (KID) and on-going statements.
- The default options that can be offered, in particular life-cycle strategies with de-risking.
- Investment rules on diversification and concentration limits, similar to those in UCITS.
- The notification procedure to enable cross border distribution in a cost-effective manner and to limit administrative costs.

What should not be mandatory?

- Minimum return guarantees: such guarantees can have a significant negative impact on retirement wealth whilst reducing switching possibilities and investment in equity.
- Biometric risk coverage: individuals should decide if they want to pay for such insurance in light of their personal circumstances.
- Advice: simple PEPPs could be offered without advice to reduce costs; however, distributors could always give advice or guidance.

What should not be regulated at EU level?

- Retirement age: this matter should be left to Member States.
- Pay-out options: the PEPP should offer the option(s) required at national level.
- Cap on costs and charges: competition and transparency would deliver a better outcome.
- Tax treatment: Member States should grant the same tax treatment to the PEPP as to existing national personal pension products.