



SPEECH

Gabriel Bernardino
Chairman of EIOPA

Welcome speech at Pan-European Pension Product Event



Public Event "Introducing a Standardised Pan-European Personal Pension Product"
Frankfurt, 7 September 2015

Ladies and gentlemen,

I am pleased to welcome you to this public event on the Pan European Pension Product – the PEPP.

This event is an important part of our public consultation on the PEPP and we will be very attentive to your views, ideas and comments.

I want to thank the panellists that kindly accepted our invitation and especially I want to thank you for coming to this event in such great numbers.

Today we will be talking about personal pensions. Pensions – whether provided by the State, employers or accumulated by individuals themselves – are special. Unlike any other financial products these aim to provide people with a livelihood when they no longer work. The income derived from a pension is, in the majority of cases, what determines whether human beings are able to lead an independent and dignified life after retirement.

A good pension system is therefore a society's and a European Union's emblem of civilisation. In modern societies, the quality of the pension system often depends on the combination of the incomes provided by the State pension, the occupational pension and the individual pension. Each one of the three pillars has its specific role but the reality is that all of them are under pressure.

The 1st Pillar continues to be essential to guarantee social cohesion, but is challenged by demographic trends, new labour realities and fiscal sustainability. The 2nd Pillar, occupational pensions, is usually fundamental to achieve good pension outcomes. However, defined benefit promises are becoming more and more expensive and employers are less generous when they need to apply overall cost control policies. The 3rd Pillar, personal pensions, is the solution in some countries, but we face a hugely fragmented market that does not always deliver attractive returns.

So, EIOPA is pleased with the EU Commission's Call for Advice and sees it as an opportunity to deliver thorough advice on how to create a good PEPP that will also contribute to the development of the EU Capital Market Union, attracting more retirement savings and fostering the supply of long-term capital.

EIOPA believes that the PEPP could bring more people to save for retirement and encourage those that are not saving enough.

In EIOPA's opinion a good PEPP needs to be:

- Highly recognisable

- Simple
- Standardised, and
- Trustworthy

The PEPP aims to centralise all these characteristics into one product ensuring its success through a well-chosen set of regulatory protective measures.

Highly recognisable, simple and standardised

- At its core the PEPP is a defined contribution retirement savings product.
- Highly recognisable through adequate level of standardisation and one acronym, the PEPP.
- Standardised elements lead to simple product (Lowering threshold to save for retirement)
- Limited number of investment options (max 5).
- One mandatory default where the investment expert (the provider) makes the investment decisions using a life cycle strategy with de-risking during the accumulation phase, unless default contains a guarantee.
- Providers are free to develop their own asset mix and life cycle strategy, including risk pooling mechanisms.

Trustworthy

- The consumer needs to be convinced that it “pays to save”. This is key to increase, or restore trust. And trust is the keyword in pension provision.
- The PEPP must offer value for money and be cost-effective with adequate returns.
- Reducing costs is key. Commissions paid to advisors usually have a high impact on pension pots. Including a high number of consumer protection elements in the product design itself will limit the need for advice and will pave the way for internet driven sales.
- The PEPP adopts full transparency on costs and average net returns during the accumulation phase (based on PRIPS). Relevant information should be provided during the pre-retirement phase and decumulation options should be well explained.
- Adequate product oversight and governance arrangements should be applied.

Regulatory protective measures

- All PEPP providers must act as “God housekeeper” and have a legal duty of care towards the PEPP holder. They should act in the consumer best interest.

Consistent supervision

- Strong and credible supervision is key for consumer trust.
- The PEPP providers should be subject to a consistent and convergent level of supervision throughout the EU.

Ladies and gentleman,

Creating a truly single market for personal pensions in the EU can reduce costs and provide better returns to consumers by increasing economies of scale.

It can also help the provision of long-term stable funding to the EU economy.

Ultimately it can reinforce the trust and confidence of EU citizens in the EU project.

It is a difficult but a worthy goal to pursue.

Thank you for your attention.