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EUROPEAN INSURANCE
AND OCCUPATIONAL PENSIONS AUTHORITY

Response to COM Call for Advice on Personal Pensions

IRSG meeting
Frankfurt, 16 February 2016

Why personal pensions?

- **Inadequate pension** provision is common
- Challenged **national budgets and pensions**
- **Aging populations** across Europe
- **Low** levels of **consumer trust** in pensions
- Increasingly **mobile** workforce
- **Behavioural** aspects



The story so far.....

- Call for Advice from COM 2013 leading to **Preliminary Report February 2014**
- Further **Call for Advice July 2014**
- New European Commission announced **focus on Capital Markets Union (CMU)** in July 2014
- 18 February 2015 **Green Paper:** CMU role for (personal) pensions
- COM **CMU Action Plan** published: summer 2015
- **EIOPA June 2015 Consultation Paper** focussed on **2nd regime** (PEPP)
- **February 2016 Consultation Paper** addresses July **2014 Call for Advice**

- Detailed **Call for Advice** on personal pensions received from COM **July 2014**
- 8 topic areas covered
- 50 detailed questions in Annex

- Encourage more EU citizens to **save for an adequate retirement income**
- **Safe, cost-effective, transparent and sufficiently flexible product**
 - to accommodate the current economic and labour market environment in Europe
 - to promote a Single Market for personal pensions
- In the form of a **2nd regime**:
 - facilitates cross-border business;
 - will encourage providers from different sectors, on a level playing field

- **Provider level** – standardised high level investment principles
- **Product level** - limited investment options
 - o One default option
 - o Limited number of investment options

- Effective **information disclosure** (basis is PRIIPS KID):
pre-contractual, regular and at specified points during the life of the product
 - Risks/returns
 - performance
 - Costs and charges
 - Transfers/switching/decumulation

- Conduct of business requirements
 - Overall **duty of care** to the customer
 - Direct & indirect distribution options – **advice optional**
 - Appropriateness test for complex investment options; default option to be designed so as to be non-complex
 - Appropriate **knowledge and ability** requirements
 - **Conflict of interest** avoidance requirements
 - Effective **redress** systems

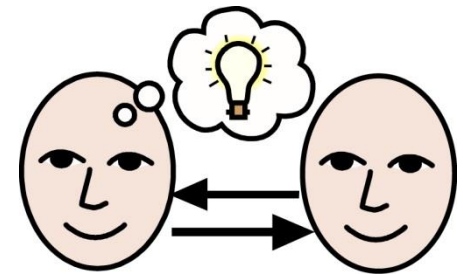
- Flexible **retirement date** possible
- Different forms of **decumulation** possible
- Adding a **financial or biometric risk cover** to the PEPP possible
- Investment options where **costs and charges are capped** possible
- **Switching** during the life of the product possible
 - at fair value and with fair charges
 - some limitations, such as minimum holding periods, should be possible

Summary of PEPP features

Pan-European Personal Pension Product (PEPP)			
Standardised elements:	information provision	Flexible elements:	guarantees
	default "core" investment option		cap on cost and charges
	limited investment choices		switching

Engagement with IRSG (PEPP)

- Discussion with IRSG strategic areas sub-group 3
June 2015
- Presentation to IRSG 10 June 2015
- IRSG input to consultation process
- IRSG input to Attractiveness/Feasibility of PEPP
(November 2015)



Attractiveness/feasibility industry survey (PEPP)



- **Online survey**
- **Targeted survey** of selected industry participants
- **Roundtable discussions** with companies
- Key views expressed:
 - PEPP **broadly attractive** esp. in **less developed pensions markets**
 - Needs **strong stable legislation**
 - **Multiple distribution channels**

- Both **harmonising Directives** or a **Regulation** are possible approaches to the development of a Single Market for personal pensions
- **Superior outcomes** expected from a 2nd regime **Regulation**
 - Through benefits of standardisation, efficiency gains and enabling cross-border activities
 - Promoting an efficient Single Market for personal pensions

- **Consultation** on PPPs:
extending EIOPA's views on PEPP to PPPs
 - o closes on 26th April 2016
 - o analysis of responses, further research



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Thank you

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