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OPENING SPEECH



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Good morning, dear colleagues,

Ladies and gentlemen,

It is a great pleasure to welcome all of you at this public event, which we dedicated to the issue of personal pensions. As you know, in the last years our activities in the pension's area were focused on occupational pensions, the so called 2nd pillar. However, I believe that the implementation of the EU agenda for adequate, safe and sustainable pensions also calls for a sufficient level of regulation and supervision of the so called 3rd pillar - personal pensions. This issue is very relevant for EIOPA because it is very much related to consumer protection, which is one of our high priorities.

The request from the EU Commission

Last year the EC asked EIOPA for technical advice on the prudential regulations and consumer protection measures needed to create a single market for personal pensions.

Our Discussion Paper on a possible EU-single market for personal pension products, published only three weeks ago, is the first step to deliver the technical advice to the Commission.

The Paper focuses on a number of topics:

1. A possible definition of a personal pension;
2. Potential cross-border frameworks (passporting and the so-called second (or 28th) regime which would create a uniform European system as an alternative to the different national regimes); and
3. Consumer protection, focusing on transparency and disclosure requirements, distribution and selling practices, professional requirements and product regulation in the area of personal pensions.

Today we have the opportunity to hear your views on these issues.

Context

The current EU framework applicable to 3rd Pillar products is very much fragmented

with a number of different vehicles being subject to different types of EU regulations. Very often the products available deliver suboptimal and inefficient solutions to consumers.

I believe that there are merits in developing an EU-wide framework for the activities and supervision of individual retirement savings, containing both prudential and consumer protection measures. Improving consumer information and protection is necessary to enhance citizens' confidence in financial products for retirement savings.

Personal pension plans should be focused on the long-term nature of their objective (retirement savings), avoiding the traps of the short term horizon. They should be based on a simple framework, allowing for reduced cost structures and be managed using robust and modern risk management tools. They should rely on clear and transparent governance structures and provide full transparency to its members.

A well designed and structured 3rd pillar market could also play an important role in the EU economy by assuring a focus on long-term investments and, thus, fostering sustainable growth.

Importance of personal pensions

The pressure on public finances with the consequent challenges on the level of state pensions and the fact that occupational pensions continue to have a reduced level of coverage in many member states shifts the responsibility to individuals to save for a pensions income through individual pension arrangements.

Among the different consumers of financial services I would call personal pension plan holders the most vulnerable consumer group. Choosing a pension is a critical financial decision for consumers: personal pension products are characterised by the fact that their explicit aim is to provide their holders with the means to live after retirement. This specific aim sets pension products apart from 'regular' financial products. The fact that most personal pension products can be bought on a voluntary basis implies that a consumer has a personal responsibility in providing part of his retirement income.

This calls for particular care on the information to be provided to consumers. In this context I would like to mention EIOPA's Report on Good Practices relating to the provision of information for Defined Contribution schemes that we issued in February

this year. We call this publication the “Max Report” because the hero of our report, called Max, is an average citizen who has limited time and motivation to be involved in long term retirement planning, does not like complexity, tries to reduce it and often uses rules of thumb to process information quickly. So as EIOPA’s Max-report has shown, consumers are not ‘homo economicus’. The fact that pension products, both occupational and personal, are difficult to understand by nature requires that providers of personal pension products only offer products that are ‘fit for purpose’. EIOPA’s aim is to advise on an EU-wide legislative framework that would enable all parties to fulfil their respective responsibilities. Creating a single market in the field of personal pensions is essential in that respect.

EU cross-border products

In its White Paper on pensions the European Commission committed itself to raise the quality of third-pillar retirement products and improving consumer information and protection standards possibly with an EU certification scheme for such products.

Over the past few years personal pension plan holders have been confronted with products that did not deliver the results needed to provide for an adequate standard of living after retirement. In those cases where this was caused by product characteristics, action is needed.

EIOPA will therefore put great effort into delivering advice on the characteristics a personal pension plan should and, perhaps more importantly, should **not** have.

As you may have read in our Discussion paper, product regulation EU-wide is fragmented. Some countries leave it up to providers to develop products, with supervisors supervising ‘along the way’. In other countries a product has to be approved before it can be marketed.

EIOPA has not yet reached definitive conclusions with regard to what characteristics a personal pension product should have. We are convinced, however, that a product should be understandable, fair and that charges should not be disproportionate. Pension products should instil confidence in consumers to buy it; be it in their own country or in another Member State.

EIOPA invites all of you to share your views on this subject today. We also ask you to answer the questions in our discussion paper by 16 August. What do you think the characteristics of a good personal pension product should be? And how should it be ensured that all personal pension products have these characteristics in the future? Do you see a need for certification of personal pension products that meet the standards that are about to be defined?

Conclusion

I am very happy that today all these and also other aspects of personal pensions will be discussed. We have great panellists who will take a lead in our discussions and I would like to warmly welcome them. I am sure this event will enrich our expertise and will help us to better shape our goals and priorities.

We count on all of you to bring the best ideas to create a sustainable framework for personal pensions in the EU.

I wish you a very interesting and fruitful day.

Thank you for your attention.