RESPONSE TO SECTION B3: QUESTIONS FOR OTHER STAKEHOLDERS IN A PROFESSIONAL CAPACITY – FOR PROVIDERS, POTENTIAL PROVIDERS, STAKEHOLDER REPRESENTATIVES, PUBLIC AUTHORITIES REGULATING PERSONAL PENSIONS, ACADEMICS ETC.

PLEASE JUSTIFY YOUR CHOICE(S) – WHERE POSSIBLE PLEASE PROVIDE REFERENCE TO ANY EVIDENCE, DATA, REPORTS OR STUDIES.

A. On the challenges to personal pension development in the EU

At present, the EU personal pensions market does not seem to be reaching its full potential, both in terms of the products supplied and the level of demand from potential investors. There is evidence that personal pensions markets remain fragmented along national borders, are dominated by a limited number of national providers, and national tax requirements limit the possibility to purchase personal pension products from another Member State. As a consequence, cross-border provision of these services is limited. Competition is imperfect, restricting investors from enjoying the benefits of more innovative and efficient personal pension products.

Encouraging the provision of third pillar personal pensions by a wider range of financial institutions would foster more competition and could offer more choice with more attractive prices to consumers. Provided the above-mentioned challenges are overcome, the uptake of personal pensions would increase with more coverage among policyholders. Consumers could benefit from simpler, more innovative and more efficient personal pensions to complement their retirement income.

1. Do you offer personal pension products to consumers?

- X No, we do not offer personal pension products
- o Yes, in one Member State
- o Yes, in more than one Member State

If yes, please specify in which Member States.

2. What are the issues which, in your view, limit the development of personal pensions in your Member State? (Please specify your answer below in maximum 500 characters. You may reply to one or several categories)

a) National legal requirements (e.g. prudential rules governing providers, administrative rules, tax regime for personal retirement saving, non-tax legal requirements, etc.)

Personal pensions are designed taking into account the role and design of other pension pillars. Therefore, they differ substantially across the EU. The IRSG is not aware that specific national legal requirements may limit the development of personal pensions at Member State level. However, frequent changes in the tax regime for personal retirement products and capital charges for insurance long-term life products can make it difficult to offer pension products with long-term guarantees.

b) Barriers to entry for providers (e.g. costs are too high to enter to market, competition is not strong enough on the market, the current low interest rates disincentivise providers to offer long-term products, etc.)

Personal pension providers are required to comply with national regulatory standards (social and labour law, contract law and general good rules), which require them to make essential investments that not all providers may be ready to bear. At EU level, the development of personal pension products with traditional guarantees may be hampered by capital requirements. In general terms, competition in EU jurisdictions with developed personal pension markets is strong enough.

c) Insufficient demand from individuals for personal pensions (e.g. lack of information about pension savings, low level of individuals' financial literacy, lack of interest in pension savings, insufficient disposable income for pensions savings purposes)

The IRSG does not believe that insufficient demand from individuals for personal pensions limits the development of personal pension products at national level.

That being said, the EU and member states should take action to raise citizens' financial education and pension awareness. Individuals are generally not aware of their future public pension income and of the need to accumulate extra pension savings. Additional issues that explain the insufficient demand from individuals for personal pensions are high public pension replacement rates, insufficient disposable income for pension savings purposes, low levels of individuals´ financial literacy, and frequent changes in the tax regimes.

There are however member states in which the issue of not having enough disposable income is by far the major barrier in increasing pension saving, regardless of their form.

d) Insufficient public policy incentives to stimulate saving in personal pension products

The development of personal pensions at national level may be negatively affected by insufficient public policy, eg with regard to raising pension awareness.
The recent abolishment of tax breaks for personal pensions in some EU member states may also contribute to limiting consumers up-take, potentially discouraging people from savings for an adequate pension. Public pension systems should inform citizens about their expected public pension income.

e) Any other limitation

Personal pensions are long-term products with long-term liabilities. An appropriate framework is needed to take into account their long-term horizon and purpose, fostering the matching of long-term liabilities with long-term assets. The Solvency II Directive should be improved in order to not disincentive long-term insurance products. Poor performance or excessive costs (the two being frequently related) are also issues that limit the development of PPP.

3. What are the issues which, in your view, limit the development of personal pensions across borders? (Please specify your answer below in maximum 500 characters. You may reply to one or several categories)

a) Varying national legal requirements (e.g. complexity of national legal frameworks, differing national tax requirements, difference in conduct of business rules, etc.)

Personal pensions are designed taking into account the role and design of other pension pillars. Therefore, they differ substantially across the EU, eg in terms of product features. Any providers wishing to offer personal pensions cross-border should respect the local rules of general good and contract law.
These may differ significantly between member states, as they reflect the link between different pension pillars and the specific features of the local pension system.

b) Challenges for providers to operate cross-border (e.g. high set up costs, high operating costs in another Member State, language issues, unfamiliar customer base, branding issues, local dominant distribution channels, presence of conflicts of interest in the distribution channels, etc.)

Personal pensions differ substantially across the EU. Any providers wishing to offer personal pensions cross-border should respect the local rules of general good and contract law, as well as adapting to the local demand, for instance in terms of product features (presence of profit-sharing mechanisms, long-term guarantees, risk coverage, pay-out options, surrender options).

c) Insufficient demand from individuals for cross-border pensions (e.g. uncertainty about cross-border providers, perception that a cross-border pension would only be relevant in case of mobility, etc.)

Although the IRSG has no evidence that market uptake for personal pensions is linked to cross-border provision, consumers often prefer engaging with personal pensions providers established in their own countries (not only with local providers but also with subsidiaries of multinational groups) that they know well and in which they trust.

Some scandals related to cross-border business (Lehman Brothers, Icelandic banks, etc.) demonstrate the difficulties that individuals have to face to claim and get the repayment of the amounts invested when they invest cross-border.

d) Any other limitation

B. What should be the key features of an EU personal pension framework?

As outlined in the 2014 EIOPA preliminary report, personal pension savings are expected to be a successful alternative source of retirement income and provide for replacement rates in the future but only in so far as those savings are safe in the sense of trustworthiness, cost effectiveness and transparency. They should also be sufficiently flexible to cater for a European labour market where workers' mobility is increasing.

Furthermore, the 2016 EIOPA technical advice outlined that objectives for personal pensions determine and affect to some extent the required product characteristics:

Safe products imply the need for addressing conflicts of interests and information asymmetries between providers and savers. Conflicts of interests need to be addressed and incentives need to be aligned to facilitate optimised results for consumers. The main tools for ensuring safety could include authorisation and governance requirements and also cover controls and limits on product design and characteristics. Those product limitations could entail investment limitations or the inclusion of guarantees on capital or returns.

Transparent products: As long-term savings are often perceived complex, relevant information on those products needs to be provided to consumers to make well-informed decisions about taking up and maintaining long-term savings. The nature, frequency of disclosure and presentation of information contributes to the overall transparency of these products. There are several recent examples in EU financial services legislation about information disclosure requirements, such as in the Regulation on Key Information Documents for Packaged Retail and Insurance-based Investment Products (PRIIPs), in the Markets in Financial Instruments Directive (MiFID II) and in the Insurance Distribution Directive (IDD) which could serve as a basis for establishing the appropriate disclosure requirements for personal pension products.

Cost-effective products: Building a stronger market for personal pensions personal pensions could provide efficiency gains for providers through standardisation, enabling economies of scale and allowing for improved risk diversification. This can help reducing administrative costs arising from distribution, information and manufacturing and lower the asset management costs by increasing the size of the asset portfolio under management. According to EIOPA, such efficiency gains could be offered by a well- functioning Single Market for personal pension products, without obstacles to cross-border activities, facilitating healthy competition and financial innovation. Online distribution is often seen as a relevant alternative distribution channel that can help reduce those costs.

Building on the essential features of an EU personal pensions framework as outlined above through the EIOPA technical advice, an EU personal pension framework should be complemented by a number of areas which could be subject to enhanced standardisation. These areas include investment rules, guarantees provided, portability of pensions, information requirements, rules on switching providers or products and the options for pay-out. In addition, the key features should not be looked at in isolation, but in in the context of the tax regime of the personal pension, which is in many Member States a key driver for the take-up.

B1 – KEY FEATURES

INVESTMENT RULES

Many long-term retirement savings are reliant on investments (in capital markets or other areas) in order to grow. Personal pension products create the opportunity for savers to invest long-term, potentially maximising their retirement savings. The range of investment options is a key issue to address in this area.

According to the 2016 EIOPA advice, savers tend to have difficulties to determine their own investment portfolio, are often overwhelmed by the choice of investments and strongly influenced by the way that choice is presented to them. Savers seem to prefer choosing a "standard" default investment option over complex options. Savers are not aware that their needs may change over the lifetime of the product and may not monitor, review or rebalance the asset allocation of their investment portfolio over time.

In the work conducted by EIOPA on this key feature regarding investments, the options for a personal pensions framework range from including a default investment option to be provided to savers with a very limited number of alternative options in order to steer individuals towards a standard option, towards an approach where more investment options would be provided to cater for individuals with different risk appetites. In this context, the first approach, namely a default investment option, could provide the benefit of simplicity, provide safety and a limited risk for the majority of savers. The other approach, namely alternative investment options, could provide flexibility to cater for the needs of specific savers which specific investment profiles, with different risk return profiles.

EIOPA recommends in its technical advice a limited number of investment options to help limit information overload on consumers. Furthermore, EIOPA recommends a default or "core" investment option in case a product would incorporate more than one investment option in order to simplify decision-making for the majority via choice- and information architecture.

EIOPA also addresses the question whether there should be a guarantee to protect the individual saver, and/or a life-cycle strategy with de-risking when approaching retirement. A life-cycling strategy with de-risking (LCS) is an approach that ensures that savers do not have to make investment decisions during the lifetime of their personal pension product.

EIOPA recommends a de-risking strategy for at least the default investment option unless all investment options contain a guarantee. The de-risking strategy should aim to maximise returns at defined risk levels for that investment option. These conditions would seek to mitigate potential issues of individuals' loss and regret aversion.

4. Should there be a default investment option in a personal pension product which would provide simplicity and safety catering for the needs of a majority of personal pension savers?

X Yes

O No

O No opinion

5. Which type of protection should be attached to the default investment option ensuring simplicity and safety for investors in personal pensions?

O Guarantee on capital
O Guarantee on returns
O No need for a guarantee
X Other (please specify)

If other, please specify

Although some stakeholders have expressed their strong reservations regarding any EU actions imposing product restrictions, or hampering providers´ freedom to design products and innovation, other stakeholders are of the opinion that having default investment options will allow consumers to have a EU benchmark, thus adding comparability to personal pensions products and increase consumers' trust in the system.

As the offering of guarantees on the return of investments is no longer a feasible option due to macroeconomic factors, introducing guarantees on capital or of another nature will most likely drive consumer confidence in the system, subject to national legislation in place. However, there are cases in which the costs associated with the guarantee have a detrimental impact on profitability. Also a mere guarantee on capital might be, in the view of some stakeholders, not valuable for consumers.

Therefore: the decision about the permitted default investment options should take into account that products with guarantees offer a higher level of protection than life-cycling strategies or balanced funds. In the latter, consumers are exposed to the risk of losing their capital and therefore having a lower retirement income than expected - although guarantees can be, in certain cases, more expensive for beneficiaries due to a number of factors.

6. **Should the number of alternative investment options be limited? If yes, please specify the scope of the limitation and which type of protection they should feature (max. 500 characters)**

If yes, please specify

Comparability throughout the EU is a key element of such an endeavour. As comparability requires clarity, transparency and the possibility to make simple choices - limited alternative investment options should be provided.

PORTABILITY OF PERSONAL PENSIONS

Personal pensions are typically long-term products as their focus is on retirement. Therefore, during their lifetime, investors' preferences and needs could change, and they may move between Member States for multiple reasons (employment, settling for retirement etc.).

Following changes in individuals' preferences and/or personal circumstances, the question of portability of pensions arises, within the same country or across borders. Portability would allow for the transfer of pension contributions across providers and across Member States.

A portability feature of personal pensions across the EU should make personal pensions a more attractive option for mobile workers in view of keeping their pension contributions together.

In addition, providers of personal pensions could scale up their activities in a more integrated EU market, and thus offer products across borders to savers in less mature personal pension markets.

7. **Should a personal pension product be portable:**

Please tick the appropriate field, only one choice is allowed per category of reply.	**Not at all important**	**Rather unimportant**	**Fairly important**	**Very important**	**No opinion**
Across Member States				x	
Within the same Member State				x	
Both within the same Member State and across Member States				x	

8. **What are the main barriers for portability of existing personal pension products? Please describe in max. 5 000 characters.**

Different national fiscal, regulatory frameworks, political resistance and the potential for arbitrage between regimes may represent the main obstacles in this regard.

The IRSG suggests that taxation can be a disincentive for consumers wishing to keep contributing or enjoying the payout of a pension product across borders, as the (potential) tax incentives attached to the product can only be enjoyed under the rules of the country where a consumer resides.

The IRSG would also like to see a better differentions between the notions of “portability” and “switching”. If the term “portability” means the possibility for the client to remain with and continue to pay contributions to the existent personal pension provider, regardless of where the client decides to live in the EU, it must be highlighted that a client moving to another member state can continue to accrue capital and receive the benefits covered by the contract. However, the client must be subject to national rules (eg taxation) over which the provider has no control. The ability of a certain consumer to move their pension savings across providers constitutes “switching”, irrespective of whether this switching is made at domestic or cross-border level.

Because taxation of pension products is set at national level the barriers to domestic switching should not be very relevant to the extent all pension products are granted with the same tax treatment. On the contrary, the different tax treatment in the EU jurisdictions constitutes the main barrier to cross-border switching of personal pension products. Additionally, the cost of harmonizing at the EU level the existing domestic personal pension switching systems, where they exist, could be very high.

INFORMATION TO POLICYHOLDERS

In order to determine which personal pension products best fit their needs, individuals should be appropriately informed of the key features of such products, in particular in view of the products' long-term nature and inherent complexity. There are several recent examples in EU financial services legislation about information disclosure requirements, such as in the Regulation on Key Information Documents for Packaged Retail and Insurance-based Investment Products (PRIIPs), Markets in Financial Instruments Directive (MiFID II) and Insurance Distribution Directive (IDD). PRIIPs introduces a Key Information Document (KID – a simple document giving key facts to retail investors in a clear and understandable manner) covering not only collective investment schemes but also other 'packaged' investment products offered by banks or insurance companies.

In the work conducted so far on the key elements of information to be disclosed, the options for personal pensions range from using existing models such as the KID in PRIIPs as a basis with some adaptations, to designing a more specific set of information requirements tailored to the specific nature of personal pensions.

The EIOPA technical advice recommends using the existing rules based on the idea of the PRIIPs KID as a starting point for disclosure requirements for personal pensions. However, EIOPA recommends adjusting the PRIIPs KID to allow for the specificities of personal pensions to be accommodated. This could for example include information related to the choices to be made by savers or options provided by national law and options provided by the provider on reaching retirement.

According to EIOPA it is important to project and estimate how investments (typically including periodic contributions) and the related returns accumulate over a potentially very long time period, and what that could mean in terms of a retirement income. Therefore, projections could also be a feature of the disclosure requirements.

A distinction should also be made between information provided before subscribing to a product (pre-contractual information) and information provided to savers during the product lifetime.

9. The PRIIPs Key Information Document (KID) provides an example of pre-contractual information disclosure. Should the KID be used for the purposes of personal pensions disclosures? Alternatively, which KID elements could be directly used for disclosures regarding a potential EU personal pension and what are the elements that should be adapted (e.g. to take into account the long-term nature of the investment)? Please specify, in max. 500 characters.

The PRIIPs KID could theoretically represent a starting point of reference (subject to the Level 2 RTS text) but only if they will be adapted to the specific long term features characterizing personal pensions.

However, there are stakeholders that are of the opinion that the PRIIPs KID cannot be used as a benchmark for pension products, given that it is specifically designed for investment products.

10. What information, in your opinion, is most relevant to individual savers before signing up to a product?

Please tick the appropriate field, only one choice is allowed per category of reply.	**Not at all important**	**Rather unimporta nt**	**Fairly important**	**Very important**	**No opinion**
Available investment options				X	
Different types of fees				X	
Level of fees disclosed annually			X		

The rate of return over the last two years		X			
Level of protection provided				X	
Information provided in a standardised format (similarly to the PRIIPs KID)				X	
The tax regime for contributions, returns and pay-outs				X	

Is there any other information that would be of importance for savers before signing up to a product? Please specify (max 500 characters)

Consumers should also be informed about:
- Decumulation options (age and pay-out options, decumulation possibilities)
- Minimum investment period(s)
- Degree of illiquidity and conditions for partial withdrawal (eg unemployment, grave illness, death etc.)
- Risk coverage where provided (eg death, life, disability, sickness)
- Consequences of early termination/portability
- Rate of return (but over a longer period i.e. 5-10 years)
- Conditions and costs of switching / porting
- Investment risk

11. What information, in your opinion, is most relevant to individual savers during the lifetime of the product?

Please tick the appropriate field, only one choice is allowed per category of reply.	**Not at all important**	**Rather unimportant**	**Fairly important**	**Very important**	**No opinion**
Current investment option				X	
Available investment options				X	
Level of fees				X	
The rate of return				X	
Level of protection provided				X	
Accumulated benefits			X		
Expected benefits at retirement				X	
The tax treatment of savings				X	

Any other information that would be of importance for savers during the product lifetime?

Consumers should also be informed about:
- Decumulation options (age and pay-out options)
- Minimum investment period(s)
- Degree of illiquidity and conditions for partial withdrawal (eg unemployment, grave illness, etc.), depending on national law
- Risk coverage where provided (eg death, life, disability, sickness)

- Consequences of early termination/portability
- Future (expected) pension performances
- Investment risk

DISTRIBUTION

As personal pension products are often considered complex and information asymmetries between providers and savers subsist, distributors play an important role. Distributors, and in particular the advice they could provide, could have a very significant impact on the development of a sound personal pensions market, reduce the asymmetry of information and ultimately serve the interests of consumers. Distributors can assist consumers in assessing personal pension products before purchase and help identify which product best meets their needs. They can provide advice to those with more complex needs. Distributors can also play a role during the lifetime of a personal pension product, assisting consumers in assessing their retirement provisions over time and helping trigger changes in consumers' allocation of resources within a personal pension product, or switching investment option over time, especially in the run-up to retirement.
Offer.

Currently, personal pension products tend to be distributed face-to-face and through branches, which may or may not be accompanied by advice. However, technological developments may change the way personal pension products are distributed and how advice is provided. The choice and/or variety of distribution channels is a key factor in determining the success of a personal pension framework.

In the work conducted so far by EIOPA on this key feature (i.e. distribution aspects), the options range from encouraging physical sales in parallel to adapting key features so that personal pensions can easily be sold online. EIOPA recommends that at least for the default option, distribution without advice via the internet should be permitted in the case of non-complex personal pension products, easy for customers to access and understand.

The question of advice, and it being compulsory or not, remains a question in the case of more complex investment options and potentially higher risks for savers.

During the product's lifetime, EIOPA recommends that the distributor should monitor and review the product in the context of the saver's needs and future plans. For known trigger events, for example when the saver is nearing retirement, the distributor should inform the saver about the upcoming event, and provide all relevant information in order to enable the individual to choose the best option for his / her retirement.

12. As a provider, which types of distribution channels would you favour in order to maximise the benefits and efficiency gains of a Single Market for personal pensions (e.g. online/face- to-face, directly/via agents)? Please specify (500 characters max.)

The distribution of an EU personal pension product should be simple, credible, reliable and cost efficient - to the benefit of European pension savers.

The IRSG believes that all distribution channels should remain a possibility, allowing for consumer convenience and freedom of choice. Legislation should not prevent or favour one channel over another.

13. Would you consider that advice should be mandatory for the provision of personal pensions? Please provide details (500 characters max.)

Consumers should have the option to access advice but not as a mandatory step – especially in the case when there will be a default investment on personal pensions, presuming that information will be available in the pre-contractual phase in a clear, comparable and easy to understand fashion.

SWITCHING BETWEEN PRODUCTS OR PROVIDERS

For personal pension products which are by nature very long-term products, it is necessary to offer consumers the flexibility to switch between products as well as providers. Switching allows investors a choice between products and providers, and could be a means to encourage competition and keep levels of fees under control. Being locked into in a product or with a provider for a long time, especially until reaching retirement age, regardless of whether the performance of the product is satisfactory or not, could be highly detrimental for the individual.

However, this needs to be weighed against the benefits provided by long-term investment, which requires *that funds be made available over extended periods. In line with the idea of long-term saving and of creating a Capital Markets Union, personal pensions should help generate funding for long-term illiquid investments (for example infrastructure, real estate or unlisted SME equities). This objective could be undermined if consumers shifted providers constantly, leading to short term liabilities and forcing providers to invest in more liquid assets. Consequently, a balance should be struck between allowing the possibility for switching by savers and ensuring that providers can invest in long-term illiquid assets.*

In the work conducted so far by EIOPA on this key feature, namely switching, the options range from allowing very limited switching possibilities over time to preserve the long-term investment, to fostering competition by allowing savers to switch more often their personal pension across providers.

EIOPA recommends that switching providers should be possible but that some limitations on switching, such as minimum holding periods, should be allowed. Switching costs should also be fair and transparent. EIPOA favours transparent, clearly allocated costs of switching over free charge switching whereby costs might be hidden elsewhere.

In this context switching refers to changing personal pension product across providers within a Member State; it is not intended to provide for switching outside the personal pensions environment.

In your opinion:

14. Under what conditions should it be possible to switch personal pension providers?

O Switching should be without conditions
O Switching should be subject to a fee
X Switching should be only possible after a minimum lifetime of the product and allowed only a limited number of times
O Switching should not be possible

Please explain (optional)

Considering the specific long-term nature of pensions, switching should be possible at no additional cost for the consumer but only after a minimum lifetime of the product.

In the absence of a suitable framework, any switching feature could lead to consumer detriment and also lead to adverse impacts for the personal pension provider. Unrestricted switching without conditions or not subject to a fee would not meet the objective of long-term investment.

Additionally, because taxation of pension products is set at national level, as a member state competence, the barriers to domestic switching should not be very relevant to the extent all pension products are granted with the same tax treatment. On the contrary, the different tax treatment in the EU jurisdictions constitutes the main barrier to cross-border switching of personal pension products. Additionally, the cost of harmonizing at the EU level the existing domestic personal pension switching systems, where they exist, could be very high.

PAYOUT (DECUMULATION)

Decumulation, or pay-out, starts at the legal age of retirement or when the policyholder chooses to retire.

Different pay-out options should allow policyholders to choose the most appropriate decumulation option for them. In the work conducted by EIOPA on this key feature, the options range from allowing any type of pay-out, bearing in mind that a personal pension is typically supplementing the main source of pension revenue, to recommending one or several preferred pay-out options, notably in order to maximise consumer protection.

In its technical advice, EIOPA does not recommend standardising the decumulation phase of personal pension products. It considers that more work should be done to determine the advantages and disadvantages of the distinct pay-out options.

15. Which forms of pay-out should be favoured? Please provide an explanation of your choice (Max. 500 words)

O Lump sum
O Life time annuities
O Temporary annuities (limited in time)
O Individuals' choice
O Any other
O There should be flexibility on pay-out

Please explain (optional)

Provided that national practices are respected, the IRSG wishes to stress that the protection against longevity risk should be promoted, especially when envisaging a European Personal Pension Product. Public pensions are mostly paid as annuities. Given that pension products aim to provide an income during retirement, the protection against longevity risk should be *favoured* among these options but this *should not be mandatory for all* Member states - who should be able to decide and allow other forms of pay-out while providing the necessary financial education in the society.

However, according to other stakeholders, flexibility on pay-out could be favoured.

16. Overall, in your opinion, what factors would encourage competition to offer high quality, affordable personal pension products?

Please tick the appropriate field, only one choice is allowed per category of reply.	**Not at all important**	**Rather unimportant**	**Fairly important**	**Very important**	**No opinion**
Level of fees and returns				X	
Transparency on fees and costs				X	
Type of investment policy (active vs passive)			X		
Ease of distribution			X		
Consumer awareness of the availability of retirement products				X	
A benchmark to assess the product's performance, safety and simplicity				X	
Tax and other financial incentives to personal pension savings			X		

B2. EFFECT OF KEY FEATURES ON THE TAX REGIME OF PERSONAL PENSION

Personal pensions are vehicles which may benefit from national tax incentives under the form of tax relief at different stages of the life of the product. National tax rules may constitute an obstacle to the development of a single market for personal pensions given the complexity and variety of tax regimes applicable in Member States. Increased complexity could create additional administration costs for personal pension products and might reduce incentives for suppliers to operate across borders.

At the same time, taxation is a key factor that determines the success of a framework for personal pensions because tax incentives play an important role in the decision to subscribe to personal pensions savings. Generally, a deferred taxation model is applied to personal pension products; contributions are deducted from an individual's taxable income and pensions are taxed within the framework of income tax or, in many instances at a favourable rate. In most Member States the investment results are tax exempt. However, the taxation rates and regimes vary widely between Member States.

While it is not envisaged to harmonise tax requirement for personal pensions, national tax incentives remain very important for the uptake of personal pensions in the framework of a potential EU initiative.

17. In your experience, to what extent are tax incentives important for the uptake of personal pension products by savers? Please explain in maximum 5 000 characters.

Tax incentives can represent a fundamental driver for the promotion of pension savings. They have a key role in incentivising citizens to save for retirement therefore they are vital for the uptake of personal pension products by savers. Transparency and reliability (i.e. continuity) of those incentives on the long-term represent the key to make them convincing for citizens.

18. If you are a provider offering personal pension products in other Member States, how do you accommodate differing national tax regimes?

O We operate through branches or subsidiaries
O We operate directly across the border without branches or subsidiaries
O Other (please describe)

If other, please describe.

-

C. On the benefits of potential EU action on personal pensions

A true EU market for personal pensions could create a number of benefits and contribute to growth and investment within a Capital Markets Union. For investors, there could be more product innovation, better prices and a wider range of providers due to increased competition. Furthermore, products could be more transparent, easier to understand and also safer, if there were some minimum standards. It might also be more flexible to change provider or when move to another Member State. Providers could benefit from reduced complexity, facilitated cross-border activity, reduced administrative costs and efficiencies could be created by pooling assets from a larger investor base. Providers would be able to provide similar products within a wide range of Member States.

19. In your opinion, what are the most significant benefits of providing personal pensions on an EU scale?

Please tick the appropriate field, only one choice is allowed per category of reply.	**Not at all important**	**Rather unimportant**	**Fairly important**	**Very important**	**No opinion**
Larger pools of assets due to a wider reach					X
Opens up the market to other providers					X
Improved asset allocation					X
Product innovation					X
Improved returns					X
Lower operating costs					X
Attractive to mobile customers					X
Attractive to regular (non-mobile) customers					X
Encourages a level playing field between providers					X

Others? Please specify

D. On the type of potential EU action

The previous sections on the key features of a personal pension framework and on the benefits of potential EU action focused on assessing what the effects on the market of an EU initiative would be. The consultation now turns to views on how to best frame such an initiative, from self-regulatory approaches (cooperation among stakeholders) to more comprehensive EU intervention (harmonizing at EU level the national personal pension regimes).

For each of the potential approaches, we invite respondents to detail how the chosen approach would address the problems identified in the first part of this consultation. These would address issues such as insufficient personal pension take up by individuals, insufficient cross-border provision, insufficient variety in personal pension providers, lack of efficiency of personal pensions on costs and returns, and insufficient innovation in personal pensions.

20. The EU could foster cooperation between stakeholders (Member States, providers, consumers) around a common approach to providing personal pension products. This would imply designing – together with the national authorities, pension industry and consumers – a series of recommendations which providers could follow when offering personal pensions.

Fostering cooperation among stakeholders would…

Please tick the appropriate field, only one choice is allowed per category of reply.	**…not address this challenge at all**	**…partly address this challenge**	**…largely address this challenge**	**…decisively address this challenge**	**No opinion**
Enhance the take-up of personal pensions by consumers in the EU		X			
Enhance cross-border offer of personal pension products by providers in the EU		X			
Widen the range of providers		X			
Enhance efficiency, asset allocation and returns when offering personal pension products		X			
Contribute to innovation within the personal pension product market		X			

Others? Please specify

The IRSG believes that if this policy option results in a series of recommendations addressed only to providers, as suggested by the EC, this would be a missed opportunity. The IRSG believes that member states and consumer organisations should also be addressed, eg when addressing issues falling under their remit (eg pension awareness, adequate prudential treatment of long-term guarantees).

21. A European personal pension account could be established, similarly to the Individual Retirement Account (IRA) offered in the United States. An IRA is a personal savings plan that gives individuals tax advantages when saving for retirement. It encompasses different types of plans, depending on the income or employment status of an individual, their tax circumstances and the investment options they choose. There can be many different types of providers: an IRA can be opened with banks, credit unions, insurance companies, mutual fund companies and brokerage firms. Most IRA providers offer a broad variety of investment options, including stocks and bonds, money market funds and mutual funds.

Would such an approach address the challenges below?

A personal pension account would…

Please tick the appropriate field, only one choice is allowed per category of reply.	…not address this challenge at all	…partly address this challenge	…largely address this challenge	…decisively address this challenge	No opinion
Enhance the take-up of personal pensions by consumers in the EU	X				
Enhance cross-border offer of personal pension products by providers within the EU	X				
Widen the range of providers	X				
Enhance the efficiency, asset allocation and returns when offering personal pension products	X				
Contribute to innovation within the personal pension product offer	X				

Others? Please specify

The IRSG finds it difficult to comment on this policy option, as the consultation paper does not clarify how a US-based initiative would fit in the EU context. The IRSG is concerned that this option would not provide for an adequate level of safety and protection for savers although the refining of such a concept and further discussion have raised the interest of particular stakeholders.

22. **A European personal pension product could be established on a voluntary basis, based on a set of common and flexible features, in order to provide pension income on reaching retirement. Such features could include transparency and disclosure requirements, investment options, accumulation and decumulation options, distribution specificities, guarantees on the product and fees and charges levied. The main difference between a personal pension account (described under question 21) and a personal pension product is that a personal pension account does not pre-define investment options. The role of tax advantages would be similar for the personal pension account and the personal pension product. This approach could take inspiration from the Undertakings for Collective Investment in Transferable Securities (UCITS), European Long Term Investment Funds (ELTIF), the EuVECA and EuSEF funds, the European company statute and the EIOPA advice on the development of a Pan-European Personal Pension Product.**
Would such an approach address the challenges below?

A European personal pension product would…

Please tick the appropriate field, only one choice is allowed per category of reply.	…not address this challenge at all	…partly address this challenge	…largely address this challenge	decisively address this challenge	No opinion
Enhance the take-up of personal pension products by consumers in the EU		X			

Enhance cross border offer of personal pension products by providers within the EU		X			
Widen the range of providers		X			
Enhance the efficiency, asset allocation and returns when offering personal pension products					X
Contribute to innovation within the personal pension product offer		X			

Others? Please specify

If based on EIOPA's PEPP proposal, this policy option may impact the allocation of funds towards long-term investments. It should deliver a long-term savings product with the aim to provide income in retirement. The product would need to have key features, such as minimum investment periods, a decumulation phase, and a default options based on either guarantees and/or long-term collective investments with a smoothing of returns. Introducing such a product may increase the volume of personal pension products, especially in less developed pension markets. However, this initiative faces major challenges, particularly in light of areas of national competence (eg taxation, social and labour law).

23. The EU could consider harmonising national personal pension regimes, in particular on the aspects of prudential supervision, possible providers, maximum costs, disclosure requirements, distribution models etc. but excluding tax requirements.
Would such an approach address the challenges below?

Harmonising national personal pension regimes would…

Please tick the appropriate field, only one choice is allowed per category of reply.	**…not address this challenge at all**	**…partly address this challenge**	**…largely address this challenge**	**…decisive ly y address this challenge**	**No opinion**
Enhance the take-up of personal pension products by consumers within the EU	X				
Enhance cross-border offering of personal pension products by providers within the EU	X				
Contribute to a wide range of providers to offer personal pension products	X				
Contribute to enhancing the efficiency, asset allocation and returns when offering personal pension products	X				
Contribute to innovation within the personal pension product offer	X				

Others? Please specify

Harmonisation of all PPPs across the EU poses the risks of creating inconsistencies in the respective pension system and of undermining trust of savers. Harmonising national regimes would duplicate requirements and/or add a new, unnecessary layer of requirements for products and providers which are already well regulated at EU and national level. Such an option is considered to be at least challenging.

Having said that, the IRSG opposes any harmonisation of the national personal pension regimes. It urges the EC to drop this policy option, which the IRSG considers unrealistic, as it is likely to duplicate existing requirements and/or add additional ones.

Harmonisation of *key aspects* however should be a central feature of any new pan-European product/regime.

24. Would you favour an alternative EU approach? Please provide details. Max. 500 words.

Europe's pension challenge requires various types of responses (eg capital requirements, consumer awareness) at various levels (national and EU). The EC's priority should be to remove constraints on long-term guarantees (eg excessive capital requirements) and facilitating the sharing of best practice between member states. This would also be beneficial, in particular for those markets which have a less developed pension system. This in the first instance would help to bring all Member states to the same level.