



#CMU  
#PEPP

# A PAN-EUROPEAN PERSONAL PENSION PRODUCT

## PAN-EUROPEAN PERSONAL PENSION PRODUCT (PEPP) - A NEW OPPORTUNITY TO SAVE FOR RETIREMENT



STATE-BASED PENSIONS



OCCUPATIONAL PENSIONS



PERSONAL PENSIONS

A new, voluntary pan-European personal pension product (PEPP), complementary to existing national products.

## WHY DO WE NEED A PEPP?

1 More choice and mobility for citizens when saving for retirement.

2 Cheaper options for pension providers to offer their services across the EU as they tap into a bigger market.

3 More capital becomes available for long-term investments in the real economy as more citizens buy a PEPP.

4 Helps close the pension gap faced by many citizens and improves their retirement income.

*"The pan-European personal pension product is an important milestone towards completing the Capital Markets Union. It has enormous potential as it will offer savers across the EU more choice when putting money aside for retirement. It will drive competition by allowing more providers to offer this product outside their national markets. It will work like a quality label and I am confident that the PEPP will also foster long-term investment in capital markets."*



**Valdis DOMBROVSKIS**  
Vice-President in charge of Financial Stability, Financial Services and Capital Markets Union

*"Pan-European personal pension products will act to promote competition amongst pension providers, granting consumers more choice of where to place their savings. Completing the CMU is also an important element of the Investment Plan for Europe. I am pleased that this proposal will also work to channel savings towards long-term investments, helping to achieve the Investment Plan's objectives of upgrading infrastructure, boosting growth and supporting jobs."*



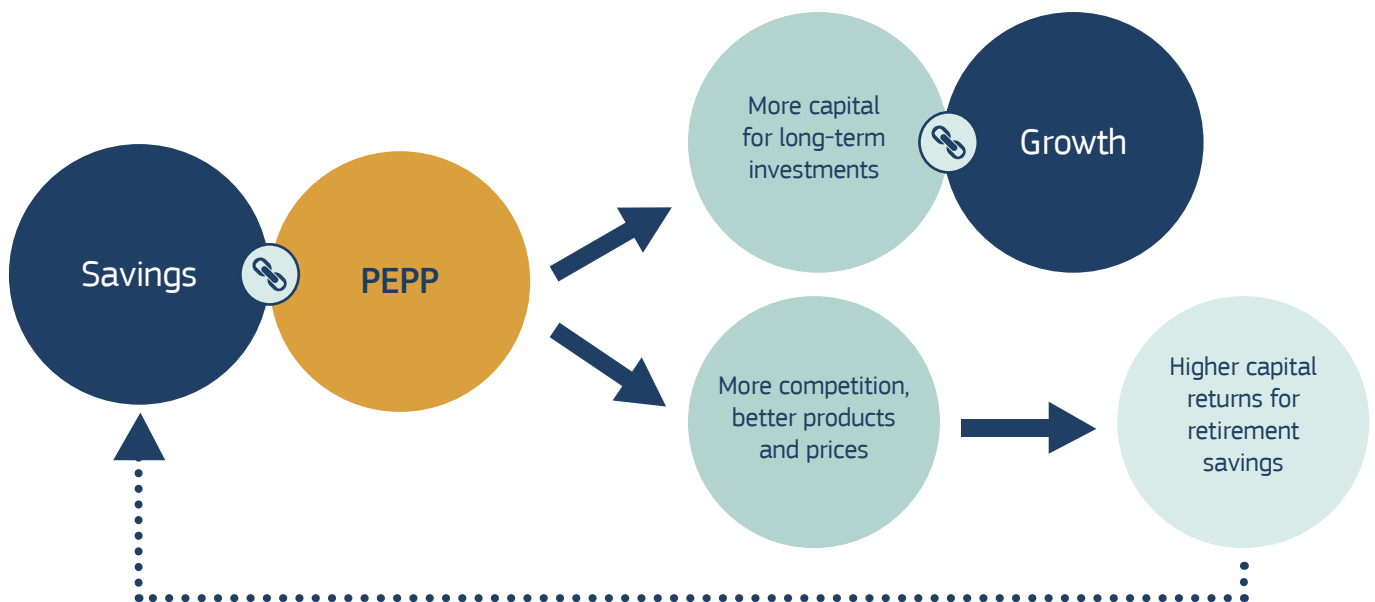
**Jyrki KATAINEN**  
Vice-President responsible for Jobs, Growth, Investment and Competitiveness



## MAIN CHARACTERISTICS OF A PEPP

- ✓ European Insurance and Occupational Pensions Authority (EIOPA) authorises new PEPP products. Once it is authorised, the product can be distributed throughout the EU.
- ✓ PEPP key information document gives clear information to savers before concluding the contract.
- ✓ PEPP saver should benefit from the capital protection under the default low-risk option.
- ✓ PEPP saver is kept informed on accrued savings.
- ✓ PEPP saver can transfer accumulated pension savings when moving to another EU country.
- ✓ User-friendly procedures for complaints and out-of-court redress in case of disputes between PEPP savers and providers/distributors.
- ✓ Member States set conditions for saving phase and pay-out of capital as well as favourable tax treatment.
- ✓ PEPP saver can choose between up to 5 savings options and may change every 5 years free of charge.
- ✓ PEPP provider invests capital in line with 'prudent person' rule.
- ✓ Costs and fees for PEPP saver are completely transparent.
- ✓ Provider is entitled to offer different forms of out-payments (annuities, lump sum, etc).
- ✓ PEPP saver has a right to switch providers every 5 years. Switching costs are capped.

## Capital Markets Union: Linking savings with growth



## WHO CAN PROVIDE A PEPP?



INSURERS



OCCUPATIONAL  
PENSION FUNDS



INVESTMENT  
FIRMS



ASSET  
MANAGERS



BANKS

## WHO CAN INVEST IN A PEPP?

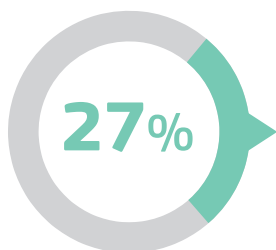


ANYONE EMPLOYED /  
SELF-EMPLOYED



ANYONE UNEMPLOYED /  
IN EDUCATION

## UNLOCKING POTENTIAL



**67 million** individuals in the EU have a voluntary personal pension plan out of **243 million** EU citizens aged 25 - 59 years.

Source: European Insurance and Occupational Pensions Authority (EIOPA)

## WHAT ARE THE ECONOMIC BENEFITS?

Personal pension product assets under management in EU28:

in 2017

EUR 0.7 trillion

in 2030

EUR 1.4 trillion  
*(without the PEPP)*

EUR 2.1 trillion

*(with the PEPP, with tax incentives granted)*

Source: Ernst & Young study to the Commission

## PEPP's TAX TREATMENT

The proposal is accompanied by a Commission Recommendation on the tax treatment of personal pension products, including the PEPP. In many Member States, tax incentives are a key driver for the take-up of personal pension products.

Main purposes of the Recommendation:

01

Encourage Member States to grant the same tax treatment to PEPPs as are currently granted to similar existing national products.

02

Invite Member States to exchange best practices on the taxation of their current personal pension products.

*"I very much welcome this really important proposal which is a key element of building capital markets in the European Union. This is a courageous move forward. This proposal has the potential of building huge pools of long term investment capital, widening consumers' choice, and relieving the pressure on public sector budgets as Europe ages. This is really a top priority and should be agreed by the European Parliament and Member States before the next EP elections."*

**David WRIGHT**  
President, Eurofi



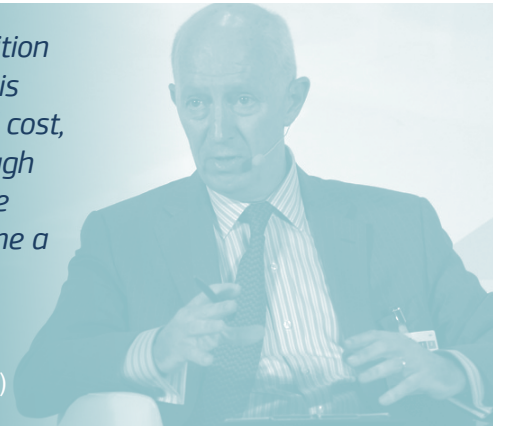
*"The EU faces a significant challenge in ensuring adequate retirement income for its citizens. The insurance industry - as a major and trusted provider of personal pensions - is very open to exploring new ways to increase retirement savings across Europe. The PEPP initiative must incentivise individuals to save for a long time. It must also allow providers to offer them protection and guarantees. Only a truly long-term pension product will boost retirement income and generate funds for long-term investment, in line with the Capital Markets Union. A short-term approach based on frequent switching would not achieve these goals."*

**Michaela KOLLER**  
Director-General, Insurance Europe



*"The Commission's proposal lays the foundation for increasing competition in the personal pensions markets and enabling economies of scale. This will bring obvious advantages to European citizens in terms of reduced cost, product choice and pension portability. If the framework provides enough flexibility to PEPP providers to invest in capital markets instruments, the PEPP will also unlock additional funding for Europe's growth and become a centerpiece of the CMU initiative."*

**Bernard DELBECQUE**  
Senior Director, European Fund and Asset Management Association (EFAMA)



*"I have worked and saved for my pension in several Member States. The PEPP will make it easier to work across the EU and save in one personal pension plan."*

**Josina KAMERLING**  
Head of Regulatory Outreach for the Europe, Middle East, and Africa (EMEA),  
CFA Institute



*"More than ever households need a simple, transparent and cost-effective long-term retirement savings product that would provide a decent return for pension savers. PEPP will offer such an opportunity, thanks to economies of scale, improved long-term asset allocation and a simple and safe default investment option."*

**Guillaume PRACHE**  
Managing Director, Better Finance

