

# Pan-European Personal Pension – Unity in Diversity?

GDV – The German Insurers



# Questions for today

1. Diversity: How does the EU pension landscape look like?
2. More unity through PEPP or how might a PEPP look like?
3. Diversity vs. unity: How to balance harmonization and flexibility?

# Diversity – the EU pension landscape

## National Pension Systems: Different traditions and political decisions



- Size, objective, financing of public pension
  - Role and design for complementary occupational and personal pensions
  - Legal layers (social and labor law, tax law, prudential rules for providers, consumer protection...)
  - Consumers' needs and preferences (risk appetite or aversion, trust, getting advice)
- Providers and pension solutions differ between countries

**EU perspective:** Fragmented market with very different products. Protection for cross-border mobile workers?

→ **PEPP initiative as proposal for a solution**

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# What is a PEPP?

## Definition:

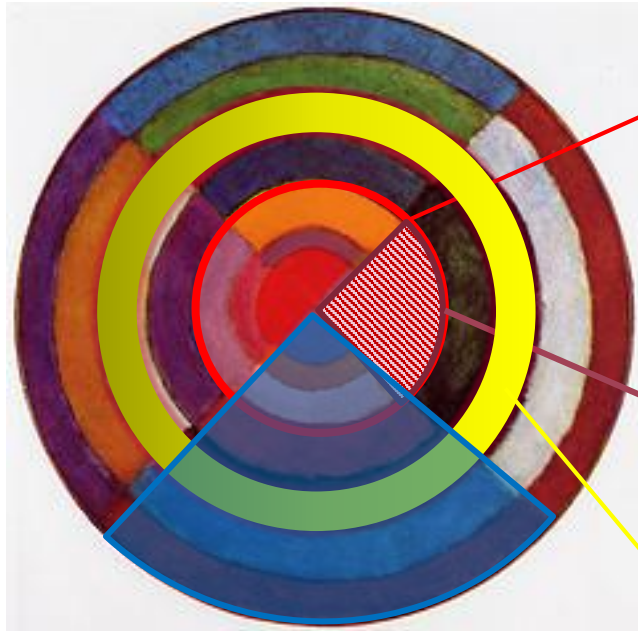
“Pan-European Personal Pension Product (PEPP) means

- a long-term savings personal pension product,
- which is provided under an agreed PEPP scheme by a regulated financial undertaking authorised under Union law to manage collective or individual investments or savings,
- and subscribed to voluntarily by an individual PEPP saver in view of retirement,
- with no or strictly limited redeemability”.

## Authorised Providers:

- Credit institutions
- Insurance undertakings
- IORPs
- Investment firms
- Investment companies or management companies
- Alternative investment funds

# PEPP: More unity?



## Harmonized features:

- Investment rules for providers (prudent person rule)
- Max. 5 investment options for consumers with one safe default
- Range of pay-out options: lump sum, drawdown plan, annuity
- Switching and portability rules
- Information requirements

## Non-harmonized features set by MS, eg:

- Age limits for accumulation and pay-out
- In-payments: minimum duration, amount, continuity
- Conditions for redemption in case of hardship
- **Tax treatment**

**Portability:** Mandatory provision of compartments in all MS for compliance with tax and other rules

## Different layers of applicable rules:

- National laws implementing sectoral regulation (eg IDD, Solvency II, MiFID, IORP II...)
- Other national law related to personal pensions
- Contract law...

Picture: © Robert Delaunay: Disque simultané

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# PEPP: Diversity vs. Unity

PEPP should not and cannot overcome the diversity of national pension systems.

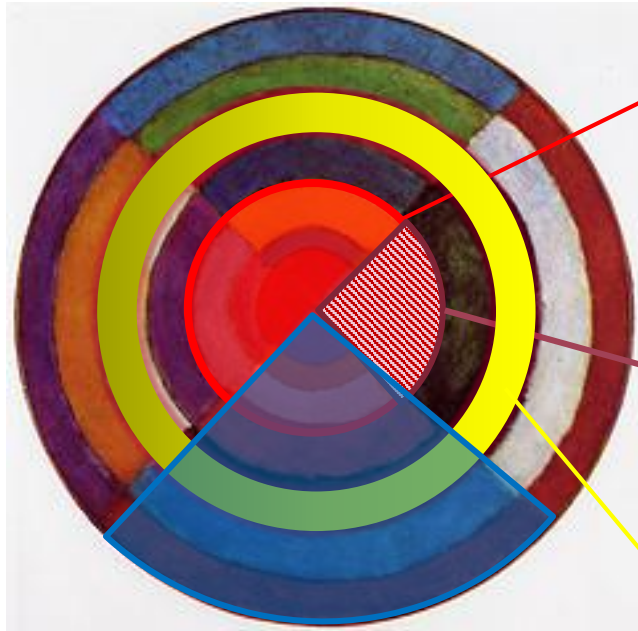
➤ Challenge: Balancing harmonization and flexibility.

But: Degree of flexibility difficult for consumers and expensive for providers.



**PEPP should aim at more unity – as a true personal pension product.**

# PEPP: More unity!



## Harmonized features:

- Investment rules for providers (prudent person rule)
- Max. 5 investment options for consumers with **one guaranteed default**
- **Default pay-out option: annuity**
- Switching and portability rules
- Information requirements

## Fewer non-harmonized features set by MS, eg:

- Age limits for pay-out
- In-payments: amount

**Easier to reach agreements on tax treatment?**

**Portability:** Mandatory provision of compartments in all MS for compliance with tax and other rules

## Different layers of applicable rules:

- National laws implementing sectoral regulation (eg IDD, Solvency II, MiFID, IORP II...)
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- Contract law...

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# PEPP – a true, safe, cost-efficient and simple personal pension product:

- **A life long pay-out** that secures a stable income and protects retirees from outliving their savings.

true

- **A guarantee** that protects consumers from volatile capital markets.

safe

- **Proportionate rules and processes** that do not render the product expensive.

cost-  
efficient

- **Information with added value for consumers.**

simple



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