

EIOPA finalises the regulation of the pan-European Personal Pension Product

Today the European Insurance and Occupational Pensions Authority (EIOPA) delivered to the European Commission a set of draft Regulatory and Implementing Technical Standards and its advice on Delegated Acts to implement the framework for the design and delivery of the Pan-European Personal Pension Product (PEPP).

EIOPA's proposed legal instruments follow the objective to unlock the potential of the European personal pension market by setting the right incentives for the creation of future PEPPs, as portable, simple and cost-efficient products. The regulatory provisions include clear and enforceable quality criteria for PEPP to be followed by providers and so to ensure that European consumers will be offered high-quality, safe, transparent and simple PEPPs. At the same time, EIOPA is leaving sufficient room for innovation and competition to reach good pension outcomes. Clear criteria for sound and robust investment strategies and risk mitigation techniques will help in delivering better long-term returns to savers and in managing investment risks to match the European citizen's risk appetite.

In this regard, EIOPA developed two mandatory consumer information documents: the **PEPP Key Information Document (PEPP KID)** and **PEPP Benefit Statement**. These standardised information documents will provide consumers with relevant information allowing for easier decision-making before entering into a binding contract and monitoring the savings' performance during the life of the contract.

The PEPP consumer information documents introduce a holistic approach for the assessment and analysis of the PEPPs' risk-reward profiles, with a 'summary risk indicator' in the PEPP KID that identifies the riskiness of the different PEPP investment options – as well as comparative information to understand the relative risk to the expected future PEPP retirement benefits. Further, projections of future retirement income are key for consumers to understand the characteristics of PEPPs and to enable the consumer to consider whether the product meets the individual retirement objectives.

Furthermore, online distribution will be one of the most important opportunities of PEPPs to attract the consumer's interest and to engage with the PEPP saver for the retirement planning. It will be particularly critical that consumers can easily access, understand and use the information presented in a digital format. The use of digital means is expected to bring important cost-efficiencies in the distribution process.

Cost-efficiency is also one of the major goals for the success of the PEPP. In case of the Basic PEPP the annual cost will be limited to 1% of the PEPP saver's accumulated capital at the end of each year. The Basic PEPP – the core or default investment option – has been specifically regulated to offer a relatively high level of capital protection, which can be further extended

to a capital guarantee. The cost of providing that guarantee is excluded from the cost cap but must be expressly disclosed.

Finally, the success of PEPP will depend on strong supervision and close cooperation between national competent authorities in the different Member States. EIOPA is of the view that regular supervisory reporting and solid product intervention powers will be necessary to ensure efficient and effective supervision and monitoring of the PEPP market, both at national and European level.

In developing its proposals, EIOPA built on the expertise of the supervisory community of both the insurance and pension sectors, as well as of the other European Supervisory Authorities, the European Central Bank and the Organisation for Economic Co-operation and Development. At the same time, EIOPA conducted an active dialogue with a wide range of stakeholders, including EIOPA's Expert Practitioner Panel on PEPP and its two stakeholder groups, the Insurance and Reinsurance Stakeholder Group and the Occupational Pensions Stakeholder Group.

Gabriel Bernardino, Chairman of EIOPA, said: *'With the delivery of EIOPA's proposed implementing measures specifying the PEPP Regulation, EIOPA has fulfilled its objective to design the PEPP as a simple, safe and reliable retirement savings option for the European citizens and to provide a powerful tool to close the pension savings gap. PEPP is a unique opportunity to offer consumers the participation in sustainable investments and the European Capital Market Union, whilst ensuring good pension outcomes and protection against downside market risk.'*