

Pan-European personal pension product (PEPP)

2017/0143(COD) - 06/09/2018 - Committee report tabled for plenary, 1st reading/single reading

The Committee on Economic and Monetary Affairs adopted the report by Sophia in't VELDs (ALDE, NL) on the proposal for a regulation of the European Parliament and of the Council on a Pan-European Personal Pension Product (PEPP).

The committee recommended that the European Parliament's position adopted at first reading under the ordinary legislative procedure should amend the Commission's proposal as follows.

Subject matter: the proposed Regulation shall lay down uniform rules on the authorisation, provision, distribution and supervision of personal pension products that are distributed in the Union under the designation pan-European Personal Pension product or 'PEPP'.

Members stressed that in Member States where the first and second pillar are insufficiently developed, PEPP might offer solutions for people who do not currently have access to adequate provisions. In Member States with highly developed pension markets, the PEPP could broaden the consumer choice, or offer solutions to mobile citizens.

However, **the PEPP should not aim to replace existing national pension systems**, since it is an additional and complementary product. Nor should it call into question the **fundamental responsibility** of Member States to ensure a decent minimum standard of living for their citizens in old age, or the urgent need to strengthen the capacity of public pension systems to provide a secure, substantial and effective social protection for all.

Portability: the portability service shall be defined as the right of PEPP savers to continue to contribute to a PEPP which they have already subscribed to from a provider while they change their place of residence by moving to another Member State.

When proposing a PEPP, the PEPP provider or PEPP distributor shall provide potential PEPP savers with information on the portability options and on which national compartments are available, either via the provider or from a registered partner. Immediately after receiving the PEPP savers request to use the portability service, the PEPP provider shall inform the PEPP saver about the options available to him or her, including the possibility to continue saving in a new compartment. Consequently, if no partnership or compartment is available, the PEPP provider shall inform the PEPP saver about the right of costless switching.

Key information document on PEPP: prior to the conclusion of a PEPP-related contract, the PEPP provider or distributor shall specify, on the basis of information obtained from the PEPP saver, the retirement-related demands and the needs of that PEPP saver and shall provide the PEPP saver with **objective information about the PEPP** in a comprehensible form to allow that PEPP saver to make an informed decision.

The key information document shall be accurate, fair, clear and not misleading; be consistent with any binding contractual documents; be a stand-alone document, clearly separate from marketing materials; be drawn up as a short document written in a concise manner using clear, succinct and understandable language, and contain the key information that PPIP investors need.

In addition to the PEPP key information document, PEPP providers and PEPP distributors shall provide potential PEPP savers with a summary of and references to relevant reports on the solvency and financial

condition of the PEPP provider, allowing them easy access to this information. They shall also be provided with information on the past performance of investments related to the PEPP, covering the years the PEPP has been operating.

Information during the term of the contract: PEPP providers and distributors shall ensure a **high level of transparency** throughout the various phases of a scheme comprising pre-enrolment, membership (including preretirement) and post-retirement. In particular, information concerning accrued pension entitlements, projected levels of retirement benefits, risks and guarantees including risks relating to environmental, social and governance factors, and costs should be given.

The Pension Benefit Statement should be provided **annually** to the PEPP saver.

PEPP providers shall inform PEPP savers sufficiently in advance before retirement about their pay-out options and **at least one year before entering the decumulation phase**.

In the case of a national or cross-border change of supplier, PEPP providers shall inform the relevant national authorities of any switch of supplier services they offer to PEPP savers

Form of benefits: PEPP providers could make one or more of the following forms of benefits available to PEPP savers: **(a) payments for life, (b) payments made for a temporary period, (c) a lump sum, or (d) any combination thereof.**

For the Basic PEPP, in the first year a maximum of **30 %** of the total amount shall be permitted. The remaining capital may be drawdown payments, annuities or a combination thereof. In the case of a Basic PEPP with a capital guarantee as the investment option, a minimum of **35 %** of the out-payment will be in lifelong annuities.

Environmental, social and governance factors: the amended text underlines that PEPP savings shall be invested in line with the Union's climate and sustainability objectives as set out in the Paris agreement, sustainable development goals, and the United Nations guiding principles on business and human rights. Furthermore, PEPP providers shall adopt an investment exclusion policy in order to ensure that savings are not invested in the most controversial and harmful products or tax avoidance tactics.

Complaints: in order to strengthen consumer rights and to facilitate access to a complaints procedure, PEPP savers shall be able, either **individually or collectively**, to submit complaints through their own national competent authority, by way of 'one stop shop'. The competent authority where the complaint was submitted shall be responsible for the further steps in the complaints procedure.