

Pan-European personal pension product (PEPP)

2017/0143(COD) - 04/04/2019 - Text adopted by Parliament, 1st reading/single reading

The European Parliament adopted by 338 votes to 143 with 139 abstentions, a legislative resolution on the proposal for a regulation of the European Parliament and of the Council on a Pan-European Personal Pension Product (PEPP).

Parliament's position adopted at first reading in the framework of the ordinary legislative procedure amended the Commission proposal as follows:

New personal pension products

The proposed regulation lays down uniform rules on the registration, manufacturing, distribution and supervision of personal pension products that are distributed in the Union under the designation "pan-European Personal Pension product" or "PEPP".

The regulation enables the creation of a personal pension product which will have a long-term retirement nature and will take into account environmental, social and governance (ESG) factors as referred to in the United Nations-supported Principles for Responsible Investment, insofar as possible, will be simple, safe, reasonably-priced, transparent, consumer-friendly and portable Union-wide.

The PEPP is based on a contract between an individual saver and an entity on a voluntary basis and is complementary to any statutory or occupational pension product. It provides for long-term capital accumulation with the explicit objective of providing income on retirement and with limited possibilities for early withdrawal before that time.

PEPP passport

PEPP providers should have access to the whole Union market with one single product registration to be granted on the basis of a single set of rules. In order to market a product under the designation "PEPP", applicant PEPP providers should apply for registration to their competent authorities. Competent authorities should take a decision for registration if the applicant PEPP provider has provided all the necessary information and if suitable arrangements to comply with the requirements of the regulation are in place.

Portability

PEPP savers shall have the right to use a portability service that gives them the right to continue contributing into their existing PEPP account, when changing their residence to another Member State.

The portable PEPP with a long-term retirement nature will increase its attractiveness as a product, particularly to young people and mobile workers.

Without delay after being informed about the PEPP saver's change of residence to another Member State, the PEPP provider shall inform the PEPP saver about the possibility to open a new sub-account within the PEPP saver's PEPP account and about the timeframe within which such a sub-account could be opened.

Where a new sub-account is not available, the PEPP provider shall inform the PEPP saver about the right to switch without delay and free of charge and of the possibility to continue saving in the last sub-account opened.

If the PEPP saver intends to make use of the possibility to open a sub-account, the PEPP saver shall inform the PEPP provider of the PEPP saver's new Member State of residence and the date from which the contributions shall be directed to the new sub-account.

Switching service

PEPP savers have the right to switch to a different PEPP provider located in the same or another Member State, five years after the conclusion of the contract or after the last switch (or more frequently if the PEPP provider allows). Costs for the switching applied by the transferring PEPP provider should be limited to 0.5 % of the corresponding amounts or monetary value of the assets-in-kind to be transferred.

Protection of savers

The regulation ensures that savers know the key features of a PEPP. Before proposing a PEPP to savers, the PEPP provider must produce a key information document (PEPP KID) and publish this document on its website.

The PEPP KID shall constitute pre-contractual information.

It shall be: (i) accurate, fair, clear and not misleading; (ii) clearly separate from marketing materials; (iii) focus on the key information that PEPP customers need; (iv) be presented and laid out in a way that is easy to read, using characters of readable size; (v) be written in the official languages, or in at least one of the official languages, used in the part of the Member State where the PEPP is distributed.

The PEPP provider shall review the information contained in the PEPP KID at least annually and shall promptly revise the document where the review indicates that changes need to be made.

Information during the term of the contract

PEPP providers should draw up a PEPP benefit statement addressed to PEPP savers, in order to present them with key personal and generic data about the PEPP and to ensure up-to-date information on it. The PEPP benefit statement should be clear and comprehensive and should contain relevant and appropriate information to facilitate the understanding of pension entitlements over time and across pension products. The PEPP benefit statement should also contain key information on:

- the earliest date on which the decumulation phase may start for any sub-account;
- information on pension benefit projections based on that date, and a disclaimer that those projections may differ from the final value of the PEPP benefits received. If the pension benefit projections are based on economic scenarios, that information shall also include a best estimate scenario and an unfavourable scenario, taking into consideration the specific nature of the PEPP contract;
- information on the past performance of the PEPP saver's investment option covering performance of a minimum of ten years or, in cases where the PEPP has been provided for less than ten years;
- summary information on the investment policy relating to environmental, social and governance factors;

The PEPP benefit statement must be provided once a year to the saver.

PEPP providers should inform PEPP savers two months before the dates on which PEPP savers have the possibility of modifying their pay-out options about the upcoming start of the decumulation phase, the possible forms of out-payments and the possibility of modifying the form of out-payments.