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EU ADVANCES PAN-EUROPEAN PERSONAL PENSION PRODUCT (PEPP) PROPOSAL

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11 Apr 2019

The European Union (EU) has reached provisional agreement on a proposed voluntary pan-European personal pension product (PEPP) that would complement public and occupational pensions and increase retirement savings choices for all individuals, especially mobile workers. Once adopted by the Council of Ministers, the European Commission and EIOPA (the EU's pension regulatory authority) will publish delegated acts setting out definitions and other details, and the regulation will take effect 12 months later. The first PEPPs will be offered in late 2021.

The proposed regulation aims to "lay the foundations for a successful market in affordable and voluntary retirement-related investments that can be managed on a pan-European scale." Core features of the PEPP would be the same in all member states and would create "a largely standardized pan-European product" to enable long-term savings for personal pensions "with no or strictly limited opportunities for early redemption."

KEY FEATURES

The proposal outlines:

- *Registration/distribution of the PEPP.* EIOPA would maintain a central registry of PEPP providers approved by "national competent authorities. Once registered, the PEPP would be able to access the whole EU market. While PEPP providers would be supervised by the national authorities, EIOPA would monitor the evolution of the market and have the power to issue a temporary ban or restriction on providers or products to ensure the same standard of consumer protection across the EU.

- *Minimum contents of PEPP contracts.* The cost of a basic PEPP would not exceed 1% of the accumulated capital per annum. PEPP providers could offer different forms of payments, including annuities and lump sum distributions, and they would have to advise savers on the optimal payment form at the time of decumulation. Member states could set the conditions for the saving phase and the pay-out of capital, including provisions for tax incentives.

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- *Investment policy.* PEPP savers could choose an investment option and modify it at least every five years.
- *Switching of providers*. If asked, PEPP providers would have to allow savers the option to switch to a new PEPP account every five years.
- *Cross-border provision and PEPP portability*. PEPP savers would be able to continue contributing into their existing PEPP account if they move to another member state.

RELATED RESOURCES

- Capital Markets Union: Pan-European Personal Pension Product (PEPP) (European Commission, 4 Apr 2019)
- Press Release and Text of Political Agreement (European Council, 13 Feb 2019)
- Press Release (European Commission, 13 Feb 2019)