



# Public consultation on a potential EU personal pension framework

## Part B2 - Consumer organisations

Fields marked with \* are mandatory.

### Introduction

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Creating a true Capital Markets Union (CMU) which strengthens Europe's economy and creates jobs in all 28 Member States is a top priority for the Commission. CMU is intended to mobilise capital in Europe and channel it to companies, including SMEs, and infrastructure projects that need it to expand and create jobs. By linking savings with growth, it will offer new opportunities for savers and investors.

Pension products in general and personal pensions in particular are key players in the capital markets through their central role for linking long-term savers with long-term investment opportunities. In the Action Plan on Building a Capital Markets Union [1], the Commission announced that it will assess the case for a policy framework to establish a successful European market for simple, efficient and competitive personal pensions, and determine whether EU legislation is required to underpin this market.

Personal (or private) pensions are long-term savings products with a retirement objective which are subscribed voluntarily and are neither social security-based nor occupational. Personal pensions can be offered in different forms such as life insurance products, pension insurance or investment funds. Personal pensions complement state pensions and workplace pensions.

The maturity of personal pension markets differs throughout the EU, with the take-up of products being limited in most Member States, where they act as additional savings vehicles targeted primarily at higher-income households. Only a few Member States (for example the Czech Republic or Germany) have achieved wider take-up of personal pensions, thanks to incentives such as tax advantages and public co-payments. However, the volume of savings and their potential contribution to adequate retirement incomes remains limited.

## Challenges and opportunities

**Costs and charges:** Personal pension products are provided to savers throughout the EU, but individuals are often unable or uninterested to save more for retirement. Individuals tend to postpone making decisions for retirement, and when they do, they can be discouraged by the poor performance of investment products, their fees (impacting on the final returns) and their complexity, which limit the attractiveness of personal pension products in particular for lower- and middle-income households. A recent study shows that returns of personal pension products can be very distinct. For instance in Denmark, the average yearly real returns of pension funds after charges and taxation reached almost 4% over the period 2002-2013. However, in other Member States, such as Bulgaria, Estonia, Italy, Latvia, Slovakia, or Spain, there were negative returns for certain pension products in the same period. Consequently, there is potential for improving performance, creating lower cost products and ultimately improving the attractiveness and uptake of personal pensions.

**Limited Portability:** Personal pension products are not usually available for take-up from other Member States even if more attractively priced or performing better. Cross-border provision is currently limited. When individuals move within the European Union, they are often prevented from taking their investment with them and are, as a consequence, unable to benefit from any economies of scale they might otherwise have developed by pooling their personal pension savings.

**Diverse Taxation:** Tax aspects can be especially challenging as Member States have different tax regimes for personal pension products. While most Member States use tax advantages or other public incentives, such as co-payments to boost the take-up of personal pensions, individuals might be penalised if they wish to have their accumulated benefits in one Member State recognised in another Member State. As a consequence, individuals may be deterred from buying personal pension products from providers in other Member States if these products do not qualify for the tax relief available for domestic products. Individuals may not be able to continue to pay into their personal pension plan if they relocate to another Member State. The differences in the tax rules add complexity and contribute to higher cost of personal pension products, both for the individual and for the provider. The lack of clarity for providers on how to apply tax rules adds to the complexity and high cost of personal pension products offered across borders. Providers are often unable to offer their personal pension products in other Member States because they might not qualify for tax relief there. While it is not envisaged to harmonise tax requirements for personal pensions, national tax incentives remain very important for the uptake of personal pensions in the framework of a potential EU initiative.

**Competition between providers:** the maturity of personal pension markets differs throughout the EU, with the take-up of products being overall limited in most Member States. Differing regulatory requirements applicable to personal pensions limit providers' willingness and ability to create new business opportunities in other countries. Markets are predominantly national and dominated by local providers. Insurance companies manage approximately 90% of personal pension assets. Other suppliers, such as pension funds, investment companies or banks play only a marginal role. This indicates there is an opportunity to create stronger competition resulting in more choice for consumers.

### ***Potential opportunities of an EU personal pension framework***

European pension systems are facing the dual challenge of remaining financially sustainable and being able to provide Europeans with an adequate income in retirement. Not saving enough for retirement is a top concern for the British, German and Irish workforce (54%, 53% and 50% respectively) [2]. The old age dependency ratio – the ratio between the number of elderly persons who are inactive and the number of persons of working age – is highest in Italy, Sweden and Germany (above 30%). It is also high in Belgium, France, Denmark and the United Kingdom (25%). Demographic trends anticipate that the proportion of workers supporting those in retirement will halve from an average of four today, to just two, by 2060. In recent years, Member States have adopted a multitude of reforms aimed at managing public spending on pensions to safeguard their sustainability. The 2015 Pension Adequacy Report highlights that the lowering of benefit levels could imply significant risks for the future adequacy of incomes in old age. The impact of lower pensions from public schemes could be offset or mitigated by increased entitlements from supplementary retirement savings [3].

Personal pensions can help secure adequate replacement rates in the future as a complement to state-based or occupational pensions. There is scope for further development of personal pensions at EU level, in particular by making them more attractive and accessible to potential savers. They can also fit the increasing mobility of EU citizens better as well as the needs of a future workforce with fluctuating work patterns.

An EU single market for personal pensions could offer individuals more choice between products and providers, as well as more understanding and control of the risks that they face at different stages of their private pension investment. A single market would also create new market opportunities for providers, including SMEs, and help decrease the costs for savers.

Personal pensions are a flexible way to build up additional retirement income for a large category of individuals. This includes everybody wishing to save more for retirement, such as employed people willing to complement their public or occupational pension; individuals who are self-employed or those who have an irregular activity on the labour market, as well as individuals who do not work but can afford to invest in a pension.

European personal pension solutions could be particularly attractive to individuals who move from one country to another and wish to continue to contribute to their existing personal pension savings while having the accumulated benefits recognised for tax relief in the new country.

Personal pension savings also have an important role to play in channelling retail savings into capital markets, a key building block of a Capital Markets Union.

The ultimate goal is to support individuals in the EU to save more to achieve appropriate levels of retirement income. To achieve this, it should be possible:

for providers based in one EU Member State to offer personal pensions in other EU Member States; for savers to be able to sign up for a personal pension offered in other EU Member States; and for savers to transfer the benefits accumulated in one or more Member State(s) if they move from one Member State to another, whether to work or to retire – facilitating so-called "portability".

### **Objective of the consultation**

The consultation will help the Commission analyse the case for an EU personal pension framework. It builds on previous consultations [4] launched by the Commission and EIOPA on personal pensions, but increases their scope. In July 2012 and in 2014, the European Commission asked EIOPA to develop technical advice on an EU Internal Market for personal pension schemes or products. The Commission sought advice in particular on the cross-border, prudential regulation and consumer protection measures that would be required to develop an EU single market for personal pension schemes. EIOPA has responded to those requests and favoured the creation of a harmonised legal framework for a Pan-European personal pensions market [5].

The Commission, in this consultation, aims to build on that advice and widen the range of possible options and stakeholders consulted.

The consultation also builds on recent initiatives such as the Call for Evidence on the EU Regulatory Framework for Financial Services [6] and the Green Paper on Retail Financial Services [7], placing personal pensions in the area of retail financial services to benefit European consumers and facilitate the cross-border supply of these services.

In particular, it will help the Commission map individuals' and providers' expectations for an EU personal pension framework. It will also help in identifying a set of key features to build on when assessing the case for an EU personal pension framework. It will seek views on how, in the future, personal pensions can better complement retirement income. The Commission also intends to make individuals more confident about using personal pensions to save for their retirement.

This consultation seeks views on how to best address the current obstacles within the personal pensions market and will contribute to assessing the feasibility of a potential EU policy framework to establish a successful European market for simple, efficient and competitive personal pensions.

The public consultation is open until **31 of October 2016**.

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[1] COM(2015) 468 final

[2] European Employee Benefits Benchmark, Expectations vs. Reality: Meeting Europe's Retirement Challenge (Aon Consulting, 2010)

[3] The 2015 Pension Adequacy Report: current and future income adequacy in old age in the EU

[4] During the consultation launched by the Commission in 2015 on Building a Capital Markets Union, most respondents indicated that personal pension savings have an important role to play by channelling retail savings into capital markets and expressed support for the creation of a single market for personal pensions as one of the building blocks of a Capital Markets Union.

[5] EIOPA's advice on the development of an EU Single Market for personal pension products (PPP's), ref.EIOPA-16/457, available at: <https://eiopa.europa.eu/publications/submissions-to-the-ec>. During the consultation launched by the Commission in 2015 on Building a Capital Markets Union, most respondents indicated that personal pension savings have an important role to play by channelling retail savings into capital markets and expressed support for the creation of a single market for personal pensions as one of the building blocks of a Capital Markets Union.


[6] <http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:52015DC0630&from=EN>

[7] COM(2015) 630 final, available at <http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=COM:2015:630:FIN>

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**Please note:** In order to ensure a fair and transparent consultation process **only responses received through our online questionnaire will be taken into account** and included in the report summarising the responses. Should you have a problem completing this questionnaire or if you require particular assistance, please contact [fisma-personal-pension-framework@ec.europa.eu](mailto:fisma-personal-pension-framework@ec.europa.eu).

More information:

- [on this consultation](#)
- [on the protection of personal data regime for this consultation](#) 

## 1. Information about you

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\*First name and last name:

Christian Guelich

\*Name of your organisation:

Bund der Versicherten

Contact email address:

**The information you provide here is for administrative purposes only and will not be published**

cguelich@bunddersicherten.de

\*Is your organisation included in the Transparency Register?

(If your organisation is not registered, [we invite you to register here](#), although it is not compulsory to be registered to reply to this consultation. [Why a transparency register?](#))

- Yes
- No

\*If so, please indicate your Register ID number:

547660218656-93

\*Type of organisation:

- Academic institution
- Consultancy, law firm
- Industry association
- Non-governmental organisation
- Trade union
- Company, SME, micro-enterprise, sole trader
- Consumer organisation
- Media
- Think tank
- Other

\*Type of public authority

- International or European organisation
- Regional or local authority
- Government or Ministry
- Regulatory authority, Supervisory authority or Central bank
- Other public authority

\*Please specify the type of public authority:

Consumer protection association (German Association of Insured)

\*Where are you based and/or where do you carry out your activity?

Germany

\*Field of activity or sector (*if applicable*):

*at least 1 choice(s)*

- Accounting
- Auditing
- Banking
- Credit rating agencies
- Insurance
- Pension provision
- Investment management (e.g. hedge funds, private equity funds, venture capital funds, money market funds, securities)
- Market infrastructure operation (e.g. CCPs, CSDs, Stock exchanges)
- Social entrepreneurship
- Other
- Not applicable

\*Please specify your activity field(s) or sector(s):

We are Germany's most important NGO of consumer protection related to private insurances (with about 50.000 individual members). Our organization - by its statutes - is exclusively focused on private insurances and on private pension products.

As NGO BdV is invited to expert hearings by committees of the German Federal Parliament (Bundestag) and to publish comments on draft legal acts or regulations at the national level (by Federal Ministries of Justice, of Finance or others) and on the European level (mainly for EIOPA and the other ESAs). BdV itself organizes an annual scientific conference in Berlin on current issues like the future of health insurances or the ongoing reform of retirement provision.


BdV is present on the national level in television, radio and online media (mainly Twitter and Facebook) by interviews and press releases. For the individual members of our organization BdV provides independent advice on all private insurance classes. For exemplary cases related to redemption issues or intransparent contract clauses BdV takes legal proceedings.



## Important notice on the publication of responses

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\*Contributions received are intended for publication on the Commission’s website. Do you agree to your contribution being published?

([see specific privacy statement](#) )

- Yes, I agree to my response being published under the name I indicate (*name of your organisation/company/public authority or your name if your reply as an individual*)
- No, I do not want my response to be published

## 2. Your opinion

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### B2. Questions for consumer organisations

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*Please justify your choice(s) - where possible please provide reference to any evidence, data, reports or studies.*

In a first section, we are looking for views on consumer experiences and preferences around four themes: their interest in saving for retirement (theme 1), experiences with products (theme 2), interest in simple, affordable, efficient and safe personal pensions which provide good returns and which can be confidently relied upon (theme 3) and preferences in the information available to consumers when investing in personal pensions (theme 4).

In a second section, we look for views on the challenges and key features of a European Personal Pension framework.

Please provide where available evidence form reports, studies and publications.

## Section 1: Consumer preferences

### THEME 1 Consumer interest in saving for retirement



Demographic trends indicate that the proportion of workers supporting those in retirement will be progressively reduced. This increases pressure on state-based pension systems. To remain financially sustainable, some Member States have introduced reforms to manage public spending on pensions. Such reforms often imply lowering benefit levels. Lower public pensions create risks for the future adequacy of public pension incomes at the age of retirement.

These risks could be offset or mitigated by increased entitlements from supplementary retirement savings.

There are many ways to save for retirement. Some individuals entirely rely on state-provided pensions for their pension benefits. Some are able to complement the state-provided pensions by pension benefits provided by their employer (occupational pensions). Others save for retirement through deposits on savings accounts. Another option is saving for retirement through specific individual pension products.

**\*1. Do you think it is necessary for consumers to have additional savings for the age of retirement compared to what state-based or occupational pensions provide?**

- Yes, there is need for additional savings for retirement
- No, state-based and occupational pension will be sufficient
- I don't know

**\*2. How do consumers mainly save for retirement?**

(multiple choices are possible)

- They use savings accounts
- They contribute to personal pension products from banks/insurers
- They contribute to pensions provided by employers
- They invest in other types of financial instruments/products
- They invest in real estate
- They have a state pension
- They do not save for retirement
- They employ other ways to save for retirement

## **THEME 2** Consumer experience with personal pensions

Personal pension products are savings instruments with a number of characteristics. A personal pension product is a voluntary contract between a provider and an individual to save for retirement, not linked to an employment relationship or the state-based pension. Personal pensions often have investment elements and can take many forms including life insurance products, pension insurance and investment funds. They require regular contributions which over time accumulate retirement savings that can typically be withdrawn on reaching retirement age. Member States often provide national tax incentives and tax relief to promote investments in personal pension products.

**\*3. How do consumers purchase personal pension products?**

- Directly from banks/insurers
- Indirectly from tax advisers or brokers
- They look for professional advice before they decide to purchase
- They use comparison websites
- They follow friends/family advice
- They follow government advice
- They follow advice from a consumer organisation
- They employ other ways to purchase the personal pension products

**\*4. What are the main reasons for consumers not investing in a personal pension product?**

- The fees for a personal pension product are too high
- They count on state-based and occupational pension
- They invest in other types of financial instruments/products
- They have no funds available for any personal pension savings
- There are insufficient tax incentives
- They cannot take it abroad
- They are not aware of any pension savings products
- Any other reason

Please specify:

*500 character(s) maximum*

Traditionally in Germany people count on the state-based pension. Only in big companies occupational pension schemes are accepted more broadly. Consumers distrust life insurances because of high fees, intransparent contract clauses and recently the low interest rate phase, which reduces the possible reward even more. Employees in the unfortunately growing low wage sector simply do not have funds for additional savings.

**Consumer experience with personal pensions: Information about costs and fees**

As personal pension products have a long term perspective, it is important that consumers are well informed about the product features of personal pension products. Information about annual fees, the historic and predicted return, the guarantees offered, or the type investment strategy chosen are all factors which will determine the final outcome of the personal pension product at the age of retirement. Information on these elements should enable consumers to make the appropriate choices for their needs.

Due to asymmetric information between providers and consumers, the latter have difficulties in comparing the performance and quality of the pension product and/or providers, potentially resulting in less cost-effective and unintended outcomes for individuals. Enhancing information disclosure might not be sufficient, on its own, to enable individuals to make sound and informed choices.

Consumers need to trust pension providers and have confidence in the attractiveness of personal pensions. The delivery of affordable products at the point of sale is a key element to establish such confidence.

**\*5. Are consumers aware of the annual fees they pay for personal pension products they purchase?**

- Yes, they are aware of the fees they pay
- No, they are not aware about the fees they pay
- They are not interested in fees on personal pension products
- Other

**\*6. Do consumers know what the return on investment for their personal pension products has been over the last two years?**

- Yes, they are informed of the return on their personal pension products
- No, they are not aware of the return
- They are not interested in the return
- Other

Please specify:

*500 character(s) maximum*

Customers of German life insurers are not informed about the return on investment of their personal pension product, although they get an annual information sheet sent by the insurer. The recent research by the Hamburg public consumer organization (Verbraucherzentrale Hamburg – Finanzmarktwächter, July 2016) has shown that the information given is neither comprehensive nor intelligible (i.e. no total sum of contributions disclosed or no uniform use of basic notions like surrender value).

**\*7. Do consumers receive information about the total amount of the benefits they are likely to receive in retirement?**

- Yes, they receive information on a regular basis
- No, they do not receive any information
- They are not interested
- Other

Please specify:

*500 character(s) maximum*

Customers of German life insurers are not sufficiently informed about the total amount of the benefits they are likely to receive in retirement by an annual information sheet sent by the insurer. The recent research by the Hamburg public consumer organization (Verbraucherzentrale Hamburg, July 2016) has shown that the information given is neither comprehensive nor intelligible (i.e. no global sum of contributions disclosed or no uniform use of basic notions like surrender value).

**\*8. How would you describe the overall level of satisfaction on the choice of personal pensions available to consumers?**

- Very satisfied
- Satisfied
- Not very satisfied
- Not satisfied at all
- We don't know

Please describe why:

*500 character(s) maximum*

The reasons of dissatisfaction are multiple. There are many very different products offered for retirement provision, so there is the severe problem of information asymmetry. Tied agents and brokers often do not give independent advice, so mis-selling and early withdrawal are frequent. The pension products are intransparent on costs and on reliable rewards and often inflexible related to any change of personal or professional situation (e.g. change of employer mostly leads to severe losses).

**\*9. Do consumers purchase personal pensions from providers from other Member States?**

- Yes, they purchase personal pensions from another EU Member State
- No, they have not purchased personal pensions from another EU Member State
- No, they have not purchased personal pensions from another EU Member State but would consider it
- Other

Please specify:

*500 character(s) maximum*

In Germany, mainly British life insurers offer personal pension products as well. But their market share is very low. Mostly they do not offer any guarantees, so costumers get more and more aware that they have to bear the volatility of financial markets. The British concept had a stronger attraction for some years (after 2000), when stock markets raised straight forward.

### **THEME 3** Consumer interest in simple, affordable and safe personal pension products which provide good returns

The personal pension products available in some markets are often complex financial products. It is not always easy for individuals to understand the main terms of the product (contributions, guarantees provided, benefits due), its underlying investment options and what returns can be expected. Similarly to other categories of financial products, individuals need clear information about the costs and charges levied by providers, the riskiness of their investment and whether any guarantees are provided on the benefits received in retirement.

As the objective of these products is to provide for adequate and safe retirement income, the European Insurance and Occupational Pensions Authority (EIOPA), the EU supervisory authority in the area of insurance and pensions, recommends in their advice to the EU Commission to make it mandatory for individuals to determine the appropriate level of market risk he/she should be taking, in view of their time horizon, the risk of inflation, and in view of the different approaches offered by providers. The minimum requirements for simple, affordable and safe personal pension products recommended in the EIOPA advice could be laid down in a European personal pension framework.

**\*10. Are simple and affordable personal pension products which provide good returns available in the country where you represent consumers?**

- Yes, simple, affordable personal pension products are available in my country
- No, simple, affordable personal pension products are not available in my country
- No opinion
- Other

Please specify:

*500 character(s) maximum*

Although the choice is very broad (state-subsidized, occupational, annuity, fund-based PPPs etc.), fundamental problems still exist: intransparent contract clauses, entry and exit costs are not fully disclosed; life expectancy is calculated too high, so the actual amount of pay-outs is reduced in a disproportionate way; inflexible contracts do not take into consideration possible changes of personal or professional situations (change of employer, unemployment etc.).

**\*11. If such products were available under an EU personal pension framework, would consumers consider investing in them?**

- They would be interested in such a product
- They prefer investing in other savings products
- They are not interested in saving for retirement
- They don't know and can't decide what to buy
- Other

Please specify:

*500 character(s) maximum*

BdV fully supports the concept of a Pan-European PPP (cf. our comments on EIOPA's former consultations). But there has to be a clear regulatory framework: 2nd regime, IDD, transparent provisions for accumulation and decumulation phases related to entry and exit fees, investment and payout options, impacts of possible changes of personal or professional situations, reliable calculation of biometric risks etc. Under these clearly established conditions consumers will be interested in PEPP.

While personal pension products are currently sold through physical distribution channels such as branches or intermediary networks, recent technological developments give rise to new ways of online distribution. Such online channels have the potential to enhance efficiency and reducing costs of products, allow for online personalised advice or facilitate comparing products from distinct providers. Online channels could also facilitate purchasing products from providers from other Member States.

The uptake of personal pensions would be greatly enhanced by ensuring it would be available via a wide range of distribution channels, including both intermediary and online (non-advised) sales. The offer of personal pension products across borders would also be beneficial to increasing uptake.

**\*12. How would consumers consider buying this product?**

(multiple choices are possible)

- Online, provided advice is offered
- Online, even without advice
- Face-to-face only
- From investment/tax professionals
- From a new provider
- From an insurance company or broker
- They don't know where to buy such products
- Other

To choose personal pension products tailored to their needs, age and risk profile, it is important that consumers are well informed about the product features. Individuals should be informed about the possible return of the products and all related costs and charges.

The return on the product and whether it is a safe investment will most likely depend on the investments option chosen and the possible tax incentives. Investment options could determine the level of risk in the investment strategy (e.g. defensive or dynamic). The pension product could include a guarantee whereby the provider engages to guarantee different parts of the investment (capital return, inflation protection etc.).

In addition, during the lifetime of the product, savers should be able to monitor the evolution of the investment in order to know what amount of benefits can be expected on retirement. A comparison of the personal pension product against a reference or a benchmark could facilitate savers' assessment of the adequacy of a product and help compare different products. This ultimately enables individuals to make an informed decision about their pensions.

**13. What information would you highlight as the most relevant for consumers when deciding to invest in personal pensions?**

(Please tick the appropriate field, only one choice is allowed per category of reply)

	Not at all important	Rather unimportant	Fairly important	Very important	No opinion
The cost of the product	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>
Clear information about fees, for example for administration, transactions, and exit fees	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>
Available investment options	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>
Return on investment	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>
Information about past performance of the product	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>
Tax relief	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Availability of professional advice	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>
Level of fees disclosed annually	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>
Level of protection provided on savings (guarantees)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>
Information provided in a standardised format for ease of comparison	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>
A benchmark to assess the product's performance, safety and simplicity	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
The possibility for a degree of flexibility in the contributions - for example allowing temporary interruptions of the contributions in specific situations (e.g. unemployment) while preserving the rights matured	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>



**Other:**

*500 character(s) maximum*

The most relevant information requirements for consumers are transparent entry and exit fees, reliable calculation of biometric risks, high degree of flexibility of contributions related to possible changes of personal or professional situations, transparent investment and payout options.

**Consumer preferences: information needs**

In order make personal pension savings safe, cost-effective, transparent as well as sufficiently flexible to cater for an European labour market that is characterised by more and more unconventional careers and heightened mobility of workers, personal pensions should be simple, safe and cost-effective, addressing asymmetry of information between providers and individuals, while at the same time providing attractive returns.

**14. At what stage should information be provided if at all?**

(Please tick the appropriate field, only one choice is allowed per category of reply)

	Before signing up to a product	Periodically after signing up to a product	Before signing up to a product and periodically afterwards	Not necessary to provide this information
Information about costs and fees	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>
Available investment options	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>
Return on investment	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>
Information about the past performance of the product	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Tax relief provided	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Level of protection provided on savings (guarantees)	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>
A benchmark to assess the product's performance, safety and simplicity	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>

**15. Should you have further observations about consumer experience with personal pensions, please share your experience here**

*500 character(s) maximum*

For consumers any contract conclusion of a PPP implies a long-term obligation for regular contributions. So the reliable assessment of suitability and appropriateness before concluding the contract is crucial (cf. IDD article 30). Consumer detriment is mostly the result of a premature cancellation of the contract which leads to high financial losses due to entry and exit fees. Additionally the longevity is often over-calculated entailing a severe reduction of the monthly pay-outs.

## Section 2: Challenges and key features

### A. On the challenges to personal pension development in the EU

At present, the EU personal pensions market does not seem to be reaching its full potential, both in terms of the products supplied and the level of demand from potential investors. There is evidence that personal pensions markets remain fragmented along national borders, are dominated by a limited number of national providers, and national tax requirements limit the possibility to purchase personal pension products from another Member State. As a consequence, cross-border provision of these services is limited. Competition is imperfect, restricting investors from enjoying the benefits of more innovative and efficient personal pension products.

Encouraging the provision of third pillar personal pensions by a wider range of financial institutions would foster more competition and could offer more choice with more attractive prices to consumers. Provided the above-mentioned challenges are overcome, the uptake of personal pensions would increase with more coverage among policyholders. Consumers could benefit from simpler, more innovative and more efficient personal pensions to complement their retirement income.

**16. What are the issues which limit the development of personal pensions in your Member State?**

(Please specify your answer below in maximum 500 characters. You may reply to one or several categories)

a. National legal requirements (e.g. prudential rules governing providers, administrative rules, tax regime for personal retirement saving, non-tax legal requirements, etc.)

*500 character(s) maximum*

No, we do not see any national legal requirements which limit the development of personal pension products. Following to the German law of retirement provision (2005) there are three "layers" of pension plans (state-subsidized, occupational and private pensions), which imply an abundance of offerings by life insurers and investment companies. So consumers have to fight against information asymmetry. Related to the pay-out phase there should be a mandatory use of uniform mortality tables.

- b. Barriers to entry for providers (e.g. costs are too high to enter the market, competition is not strong enough on the market, the current low interest rates disincentivise providers to offer long-term products, etc.)

*500 character(s) maximum*

There are no particular or additional barriers for providers to enter the German market compared to any other European national market. The special German model of life insurances with guaranteed minimum interest rates for the investment part of the premium has more or less come to an end because of the ongoing low interest rate phase. Additionally the supervisory regulations for solvency issues must clearly be fixed.

- c. Insufficient demand from individuals for personal pensions (e.g. lack of information about pension savings, low level of individuals' financial literacy, lack of interest in pension savings, insufficient income for pensions savings purposes)

*500 character(s) maximum*

As pointed out in Q16a, consumers are confronted with information overkill and with information asymmetry related to personal pensions products. There is a huge need for additional private retirement provision, but there are no suitable and appropriate offers (cf. Q 10 and Q 13). The ongoing low interest rate phase deepens all these problems.

- d. Insufficient public policy incentives to stimulate saving in personal pension products

*500 character(s) maximum*

The special German model of state-subsidized private retirement provision (Riester-Rente) clearly shows what happens, if mandatory regulation is not strict enough. The German state allocated about 2,35 bn Euro (only in 2015!) for the contribution phase, but because entry fees and longevity calculations are not regulated, the amount of the monthly payouts is nevertheless low. The sale of Riester-Renten has more or less stopped (current statistics of Federal Ministry of Labour - BMAS).

- e. Any other limitation

*500 character(s) maximum*

Life and annuity insurances are opaque and intransparent products. The consumers do not know, which is the exact amount of the investment part of the total premium they pay. That is why the advertisement of life insurers is usually mis-leading: the guaranteed percentage may easily be related to the total premium which is simply wrong. In consequence dissatisfaction of consumers constantly grows, as they become aware of it (cf. Q 8).

**17. What are the issues which limit the development of personal pensions across borders?**

(Please specify your answer below in maximum 500 characters. You may reply to one or several categories)

a. Varying national legal requirements (e.g. complexity of national legal frameworks, differing national tax requirements, difference in conduct of business rules, etc.)

*500 character(s) maximum*

No, we do not see any national legal requirements limiting cross border developments of PPPs. Basic requirements by EU directives (Solvency II, MIFID2, IDD) are mandatory everywhere in the same way.

b. Challenges for providers to operate cross-border (e.g. high set up costs, high operating costs in another Member State, language issues, unfamiliar customer base, branding issues, local dominant distribution channels, presence of conflicts of interest in the distribution channels, etc.)

*500 character(s) maximum*

No, we do not see any particular challenges for providers to operate cross-border. For foreign providers wishing to operate in Germany, there is of course the huge challenge of the very powerful competition of the home insurance industry with its own distribution channels still strongly connected with tied agents. But this is a problem which has to be solved by the providers themselves.

c. Insufficient demand from individuals for cross-border pensions (e.g. uncertainties about cross-border providers, perception that a cross-border pension would only be relevant in case of mobility, etc.)

*500 character(s) maximum*

With transparent products and reliable marketing strategies foreign providers will be successful in the German market, too. Of course there still is a huge information gap for consumers on possible advantages of cross-border products. Depending on the quality of the offered products, this gap of information and of confidence may be overcome (cf. Q 11).

d. Any other limitation

*500 character(s) maximum*

None.

**B. What should be the key features of an EU personal pension framework?**

As outlined in the 2014 EIOPA preliminary report [1], personal pension savings are expected to be a successful alternative source of retirement income and provide for replacement rates in the future but only in so far as those savings are safe in the sense of trustworthiness, cost effectiveness and transparency. They should also be sufficiently flexible to cater for a European labour market where workers' mobility is increasing.

Furthermore, the 2016 EIOPA technical advice [2] to the EU Commission outlined that objectives for personal pensions determine and affect to some extent the required product characteristics:

- **Safe products** imply the need for addressing conflicts of interests and information asymmetries between providers and savers. Conflicts of interests need to be addressed and incentives need to be aligned to facilitate optimised results for consumers. The main tools for ensuring safety could include authorisation and governance requirements and also cover controls and limits on product design and characteristics. Those product limitations could entail investment limitations or the inclusion of guarantees on capital or returns.
- **Transparent products:** As long-term saving products are often perceived as being complex, relevant information on those products needs to be provided to consumers to enable them to make well-informed decisions about taking up and maintaining long-term savings. The nature, frequency of disclosure and presentation of information contributes to the overall transparency of these products. There are several recent examples in EU financial services legislation about information disclosure requirements, such as in the Regulation on Key Information Documents for Packaged Retail and Insurance-based Investment Products (PRIIPs) [3], in the Markets in Financial Instruments Directive (MiFID II) [4] and in the Insurance Distribution Directive (IDD) [5] which could serve as a basis for establishing the appropriate disclosure requirements for personal pension products.
- **Cost-effective products:** building a stronger market for personal pensions could provide efficiency gains for providers through standardisation, enabling economies of scale and allowing for improved risk diversification. This can help reducing administrative costs arising from distribution, information and manufacturing, and lower the asset management costs by increasing the size of the asset portfolio under management. According to EIOPA, such efficiency gains could be offered by a well-functioning Single Market for personal pension products, without obstacles to cross-border activities, facilitating healthy competition and financial innovation. Online distribution is often seen as a relevant alternative distribution channel that can help reduce those costs.

Building on the essential features of an EU personal pension framework as outlined above through the EIOPA technical advice, an EU personal pension framework should be complemented by a number of areas which could be subject to enhanced standardisation in order to facilitate the cross-border provision of personal pensions and to offer appropriate consumer protection. These areas include investment rules, guarantees provided, portability of pensions, information requirements, rules on switching providers or products and the options for pay-out. In addition, the key features should not be looked at in isolation, but in the context of the tax regime on personal pensions, which is a key driver for the take-up of personal pensions.

This section is thus divided into key features first (B1), and secondly how they affect the tax regime applied to personal pensions (B2).

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[1] EIOPA: Towards an EU single market for personal pensions: An EIOPA Preliminary Report to COM, 2014

[2] EIOPA's advice on the development of an EU Single Market for personal pension products (PPP's), ref.EIOPA-16/457, available at: <https://eiopa.europa.eu/publications/submissions-to-the-ec>

[3] Regulation (EU) No 1286/2014 of the European Parliament and of the Council on key information documents for packaged retail and insurance-based investment products (PRIIPs)

[4] Directive 2014/65/EU of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments and amending Directive 2002/92/EC and Directive 2011/61/EU

[5] Directive (EU) 2016/97 of the European Parliament and of the Council of 20 January 2016 on insurance distribution (recast)

## **B1. Key features**

### **INVESTMENT RULES**

Many long-term retirement savings are reliant on investments (in capital markets or other areas) in order to grow. Personal pension products create the opportunity for savers to invest for the long-term, potentially maximising their retirement savings. The range of investment options is a key issue to address in this area to balance various risk profiles and respond to the needs and expectations of individuals in terms of investment strategy, given the various levels of financial literacy.

According to the 2016 EIOPA advice [1], savers tend to have difficulties to determine their own investment portfolio, are often overwhelmed by the choice of investments and strongly influenced by the way that choice is presented to them. Savers seem to prefer choosing a "standard" default investment option over complex options. Savers are not aware that their needs may change over the lifetime of the product and may not monitor, review or rebalance the asset allocation of their investment portfolio over time.

In the work conducted by EIOPA, the options for a personal pensions framework range from including a default investment option to be provided to savers with a very limited number of alternative options in order to steer individuals towards a standard option, towards an approach where more investment options would be provided to cater for individuals with different risk appetites. In this context, the first approach, namely a default investment option, could provide the benefit of simplicity, safety and a limited risk for the majority of savers. The other approach, namely alternative investment options, could provide flexibility to cater for the needs of savers with specific investment profiles, or with different risk return profiles.

EIOPA recommends in its technical advice a limited number of investment options to help limit information overload on consumers. Furthermore, EIOPA recommends a default or "core" investment option in case a product would incorporate more than one investment option in order to simplify decision-making for the majority via choice- and information architecture.

EIOPA also addresses the question whether there should be a guarantee to protect the individual saver, and/or a life-cycle strategy with de-risking when approaching retirement. A life-cycling strategy with de-risking (LCS) is an approach that ensures that savers do not have to make investment decisions during the lifetime of their personal pension product.

EIOPA recommends a de-risking strategy for at least the default investment option unless all investment options contain a guarantee. The de-risking strategy should aim to maximise returns at defined risk levels for that investment option. These conditions would seek to mitigate potential issues of individuals' loss and regret aversion.

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[1] EIOPA's advice on the development of an EU Single Market for personal pension products (PPP's), ref.EIOPA-16/457, available at: <https://eiopa.europa.eu/publications/submissions-to-the-ec>

**\*18. Should there be a default investment option in a personal pension product which would provide simplicity and safety catering for the needs of a majority of personal pension savers?**

- Yes
- No
- No opinion

**\*19. Which type of protection should be attached to the default investment option ensuring simplicity and safety for investors in personal pensions?**

- Guarantee on capital
- Guarantee on returns
- No need for a guarantee
- Other

Please specify:

*500 character(s) maximum*

PPP are long-term investments, consumers will have to pay contributions for three or even more decades. These contributions for their own retirement provisions constitute therefore one of their most important investments during their life-time. That is why they need an enhanced protection, which simultaneously does not hinder any investment strategies for better returns. Repayment of gross premiums for life insurances is therefore appropriate until the end of the contribution phase.

**\*20. Should the number of alternative investment options be limited?**

- Yes
- No

## **PORTABILITY OF PERSONAL PENSIONS**

Personal pensions are typically long-term products as their focus is on retirement. During their lifetime, investors' preferences and needs could change, and they may move between Member States for multiple reasons (employment, settling for retirement etc.).

Following changes in individuals' preferences and/or personal circumstances, the question of portability of pensions arises, within the same country or across borders. Portability would allow for the recognition and transfer of pension contributions across providers and across Member States.

A portability feature of personal pensions across the EU should make personal pensions a more attractive option for mobile workers than they are offered at present through allowing them to keep their pension contributions together and therefore enjoy higher benefits in retirement.

In addition, if personal pensions were portable, providers of personal pensions could scale up their activities in a more integrated EU market, and thus offer products across borders to savers in less mature personal pension markets.



**21. Should a personal pension product be portable?**

(Please tick the appropriate field, only one choice is allowed per category of reply)

	Not at all important	Rather unimportant	Fairly important	Very important	No opinion
Across Member States	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Within the same Member State	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>
Both within the same Member State and across Member States	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>

**22. What are the main barriers for portability of existing personal pension products?**

*5000 character(s) maximum*

There should be a passport regime similar to UCITS funds (UCITS IV Directive) the other Pan-European investment product, i.e. the PPP must first be approved by a National Supervisory Authority, for pass-porting to other Member States.

**INFORMATION TO POLICYHOLDERS**

In order to determine which personal pension products best fit their needs, individuals should be appropriately informed of the key features of such products, in particular in view of the products' long-term nature and inherent complexity. There are several recent examples in EU financial services legislation about information disclosure requirements, such as in the Regulation on Key Information Documents for Packaged Retail and Insurance-based Investment Products [1] (PRIIPs), Markets in Financial Instruments Directive [2] (MiFID II) and Insurance Distribution Directive [3] (IDD). PRIIPs introduces a Key Information Document (KID – a simple document giving key facts to retail investors in a clear and understandable manner) covering not only collective investment schemes but also other 'packaged' investment products offered by banks or insurance companies.

In the work conducted so far on the key elements of information to be disclosed, the options for personal pensions range from using existing models such as the KID in PRIIPs as a basis with some adaptations, to designing a more specific set of information requirements tailored to the specific nature of personal pensions.

The EIOPA technical advice recommends using the existing rules based on the idea of the PRIIPs KID as a starting point for disclosure requirements for personal pensions. However, EIOPA recommends adjusting the PRIIPs KID to allow for the specificities of personal pensions to be accommodated. This could for example include information related to the choices to be made by savers or options provided by national law and options provided by the provider on reaching retirement.

According to EIOPA it is important to project and estimate how investments (typically including periodic contributions) and the related returns accumulate over a potentially very long time period, and what that could mean in terms of a retirement income. Therefore, projections could also be a feature of the disclosure requirements.

A distinction should also be made between information provided before subscribing to a product (pre-contractual information) and information provided to savers during the product lifetime.

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[1] Regulation (EU) No 1286/2014 of the European Parliament and of the Council on key information documents for packaged retail and insurance-based investment products (PRIIPs)

[2] Directive 2014/65/EU of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments and amending Directive 2002/92/EC and Directive 2011/61/EU

[3] Directive (EU) 2016/97 of the European Parliament and of the Council of 20 January 2016 on insurance distribution (recast)

**23. The PRIIPs Key Information Document (KID) provides an example of pre-contractual information disclosure. Should the KID be used for the purposes of personal pensions disclosures? Alternatively, which KID elements could be directly used for disclosures regarding a potential EU personal pension and what are the elements that should be adapted (e.g. to take into account the long-term nature of the investment)?**

*500 character(s) maximum*

Yes, the KID should be used for the purposes of personal pension disclosures. Additionally special reference should be made to the pay-out phase: pay-out options (especially capital decumulation versus life-long annuity), ongoing costs, with-profit-benefits clearly distinguished from possible guaranteed monthly minimum pay-outs, mandatory participation at biometric risk benefits (mainly life-expectancy, which is usually calculated higher than it is in reality).

**24. What information, in your opinion, is most relevant to individual savers before signing up to a product?**

(Please tick the appropriate field, only one choice is allowed per category of reply)

	Not at all important	Rather unimportant	Fairly important	Very important	No opinion
Available investment options	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>
Different types of fees	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>
Level of fees disclosed annually	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>
The rate of return over the last two years	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>
Level of protection provided	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>
Information provided in a standardised format (similarly to the PRIIPs KID)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>
The tax regime for contributions, returns and pay-outs	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

**Is there any other information that would be of importance for savers before signing up to a product?**

*500 character(s) maximum*

Additionally special reference should be made to the pay-out phase: pay-out options (especially capital decumulation versus life-long annuity), ongoing costs, with-profit-benefits clearly distinguished from possible guaranteed monthly minimum amounts, mandatory participation at biometric risk benefits (mainly life-expectancy, which is usually calculated higher than it is in reality; cf. our comment on Q 23).

**25. What information, in your opinion, is most relevant to individual savers during the lifetime of the product?**

(Please tick the appropriate field, only one choice is allowed per category of reply)

	Not at all important	Rather unimportant	Fairly important	Very important	No opinion
Current investment option	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>
Available investment options	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>
Level of fees	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>
The rate of return	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>
Level of protection provided	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>
Accumulated benefits	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>
Expected benefits at retirement	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>
The tax treatment of savings	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

## Any other information that would be of importance for savers during the product lifetime?

*500 character(s) maximum*

During the contribution phase the customers must additionally be informed about the current surrender value (reduction of accumulated benefits by entry /acquisition, ongoing and exit/cancelation fees). During the pay-out phase information on administration and any other current fees must be updated.

## DISTRIBUTION

As personal pension products are often considered complex and information asymmetries between providers and savers subsist, distributors play an important role. Distributors, and in particular the advice they could provide, could have a very significant impact on the development of a sound personal pensions market, reduce the asymmetry of information and ultimately serve the interests of consumers. Distributors can assist consumers in assessing personal pension products before they make a purchase and help identify which product best meets their needs. They can provide advice to those with more complex needs or those who are less financially literate. Distributors can also play a role during the lifetime of a personal pension product, assisting consumers in assessing their retirement provisions over time and helping trigger changes in consumers' allocation of resources within a personal pension product, or switching investment option over time, especially in the run-up to retirement.

Currently, personal pension products tend to be distributed face-to-face and through branches, which may or may not be accompanied by advice. However, technological developments may change the way personal pension products are distributed and how advice is provided. The choice and/or variety of distribution channels is a key factor in determining the success of a personal pension framework.

In the work conducted so far by EIOPA on this key feature (i.e. distribution aspects), the options range from encouraging physical sales in parallel to adapting key features so that personal pensions can easily be sold online. EIOPA recommends that at least for the default option, distribution without advice via the internet should be permitted in the case of non-complex personal pension products, easy for customers to access and understand.

The question of advice, and it being compulsory or not, remains a question in the case of more complex investment options and potentially higher risks for savers.

During the product's lifetime, EIOPA recommends that the distributor should monitor and review the product in the context of the saver's needs and future plans. For known trigger events, for example when the saver is nearing retirement, the distributor should inform the saver about the upcoming event, and provide all relevant information in order to enable the individual to choose the best option for his / her retirement.

## 26. Would you consider that advice should be mandatory for the provision of personal pensions?

*500 character(s) maximum*

Simple PPP (especially when selecting the simple and cost effective default option) may be bought without the need of advice. But if no advice is given, the risk of early withdrawal by the consumer rises strongly. Therefore the appropriateness test must include a mandatory hint to the exit costs as well as to the terms and conditions of the decumulation/pay-out phase. Usually early withdrawal implies high penalty fees, which lead to strong consumer detriment.

## SWITCHING BETWEEN PRODUCTS OR PROVIDERS

For personal pension products which are by nature very long-term products, it is necessary to offer consumers the flexibility to switch between products as well as providers. Switching allows investors a choice between products and providers, and could be a means to encourage competition and keep levels of fees under control. Being locked into in a product or with a provider for a long time, especially until reaching retirement age, regardless of whether the performance of the product is satisfactory or not, could be highly detrimental to the individual.

However, this needs to be weighed against the benefits provided by long-term investment, which requires that funds be made available over extended periods. In line with the idea of long-term saving and of creating a Capital Markets Union, personal pensions should help generate funding for long-term illiquid investments (for example infrastructure or unlisted SME equities). This objective could be undermined if consumers shifted providers constantly, leading to short term liabilities and forcing providers to invest in more liquid assets. Consequently, a balance should be struck between allowing savers to switch providers and ensuring that providers can invest in long-term illiquid assets.

In the work conducted so far by EIOPA on this key feature, namely switching, the options range from allowing very limited switching possibilities over time to preserve the long-term investment, to fostering competition by allowing savers to switch more often their personal pension across providers.

EIOPA recommends that switching providers should be possible but under some limitations such as minimum holding periods. Switching costs should also be fair and transparent. EIOPA favours transparent and clearly allocated costs of switching over free charge switching whereby costs might be hidden elsewhere.

In this context switching refers to changing personal pension products across providers within a Member State; it is not intended to provide for switching outside the personal pensions environment.

## \*27. Under what conditions should it be possible to switch personal pension providers?

- Switching should be without conditions
- Switching should be subject to a fee
- Switching should be only possible after a minimum period of time and be allowed only a limited number of times
- Switching should not be possible

Please explain: *(optional)*

*500 character(s) maximum*

An appropriate interval for switching without incurring additional charges seems to be every 5 years. If switches/transfers are too frequent or too soon, then penalty fees could apply. But then, PPP should allow borrowing against the PPP balance if the PPP holder asks for it. Any charge or fee has to be disclosed and fixed definitely at the moment of contract conclusion.

## **PAYOUT (DECUMULATION)**

Decumulation, or pay-out, starts at the legal age of retirement or when the policyholder chooses to retire.

Different pay-out options should allow policyholders to choose the most appropriate decumulation option for them. In the work conducted by EIOPA on this key feature, the options range from allowing any type of pay-out, bearing in mind that a personal pension is typically supplementing the main source of pension revenue, to recommending one or several preferred pay-out options, notably in order to maximise consumer protection.

In its technical advice, EIOPA does not recommend standardising the decumulation phase of personal pension products. It considers that more work should be done to determine the advantages and disadvantages of the distinct pay-out options.

### **\*28. Which forms of pay-out should be favoured?**

(Please provide an explanation of your choice)

- lump sum
- life time annuities
- temporary annuities (limited in time)
- individuals' choice
- any other
- there should be flexibility on pay-out

Please explain: *(optional)*

*500 character(s) maximum*

We propose that PPP/PEPPs should include these four basic principles :

- The higher the accumulated capital by payments/contributions is, the higher the pay-outs have to be.
- Guarantee of a life-long annuity as one of the decumulation / pay out options.
- Open market decision for the consumer at the end of the payment / contribution phase for choosing a provider for the pay-out phase.
- Obligatory participation at risk benefits (related to longevity / death risk).

**29. Overall, in your opinion, what factors would encourage competition to offer high quality, affordable personal pension products?**

(Please tick the appropriate field, only one choice is allowed per category of reply)

	Not at all important	Rather unimportant	Fairly important	Very important	No opinion
Level of fees and returns	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>
Transparency on fees and costs	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>
Type of investment policy (active vs passive)	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>
Ease of distribution	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>
Consumer awareness of the availability of retirement products	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>
A benchmark to assess the product's performance, safety and simplicity	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Tax and other financial incentives to personal pension savings	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

**B2. Effect of key features on the tax regime of personal pensions**



Personal pensions are vehicles which may benefit from national tax incentives under the form of tax relief at different stages of the life of the product. National tax rules may constitute an obstacle to the development of a single market for personal pensions given the complexity and variety of tax regimes applicable in Member States. Increased complexity could create additional administration costs for personal pension products and might reduce incentives for suppliers to operate across borders.

At the same time, taxation is a key factor that determines the success of a framework for personal pensions because tax incentives play an important role in the decision to subscribe to personal pensions savings. Generally, a deferred taxation model is applied to personal pension products; contributions are deducted from an individual's taxable income and pensions are taxed within the framework of income tax or, in many instances at a favourable rate. In most Member States the investment results are tax exempt. However, the taxation rates and regimes vary widely between Member States.

While it is not envisaged to harmonise tax requirements for personal pensions, national tax incentives remain very important for the uptake of personal pensions in the framework of a potential EU initiative.

### **30. In your experience, to what extent are tax incentives important for the uptake of personal pension products by savers?**

Please explain:

*5000 character(s) maximum*

In Germany, too, there is a deferred taxation model for private pensions ("Ertragsanteilbesteuerung"). But tax incentives are less important than suitable choice of product (no mis-selling practices), fair and disclosed entry, ongoing and exit fees as well as appropriate calculation of longevity and mandatory participation at capital and risk benefits.

## **C. On the benefits of potential EU action on personal pensions**

A true EU market for personal pensions could create a number of benefits and contribute to growth and investment within a Capital Markets Union. For investors, this should ensure delivery of affordable personal pensions through better prices at the point of sale, good returns and a wider range of providers due to increased competition. Furthermore, products could be more transparent, easier to understand and also safer, if there were some minimum standards, which should lead to increase consumer confidence. It might also be easier to change providers or to transfer accumulated benefits when moving to another Member State. Providers could benefit from reduced complexity, facilitated cross-border activity, reduced administrative costs, and efficiencies could be created by pooling assets from a larger investor base. Providers would be able to provide similar products within a wide range of Member States.

**31. In your opinion, what are the most significant benefits of providing personal pensions on an EU scale?**

(Please tick the appropriate field, only one choice is allowed per category of reply)

	Not at all important	Rather unimportant	Fairly important	Very important	No opinion
Larger pools of assets due to a wider reach	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>
Opens up the market to other providers	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>
Improved asset allocation	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>
Product innovation	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Improved returns	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>
Lower operating costs	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>
Attractive to mobile customers	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>
Attractive to regular (non-mobile) customers	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>
Encourages a level playing field between providers	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>

**Others? Please specify:**

*500 character(s) maximum*

The PPP/PEPP project is a one-time opportunity to address the most critical and so far unsolved issue for the standard of living of future European pensioners. But it must be linked to the Consumer-Centric Approach developed by EIOPA in its PPP Consultation Paper in February 2016 (p. 48). There must not be any setbacks related to the level of consumer protection already reached by MIFID2 and IDD, mainly cost disclosures and Product Oversight and Governance requirements.

**D. On the type of potential EU action**

The previous sections on the key features of a personal pension framework and on the benefits of potential EU action focused on assessing the effects that an EU initiative would have on the personal pension market. The consultation now turns to views on how to best frame such an initiative, from self-regulatory approaches (cooperation among stakeholders) to more comprehensive EU intervention (harmonising at EU level the national personal pension regimes).

For each of the potential approaches, we invite respondents to detail how the chosen approach would address the problems identified in the first part of this consultation. These would address issues such as insufficient personal pension take up by individuals, insufficient cross-border provision, insufficient variety in personal pension providers, lack of efficiency of personal pensions on costs and returns, and insufficient innovation in personal pensions.

**32. The EU could foster cooperation between stakeholders (Member States, providers, consumers) around a common approach to providing personal pension products. This would imply designing together with the national authorities, pension industry and consumers a series of recommendations which providers could follow when offering personal pensions.**

Fostering cooperation among stakeholders would...

	...not address this challenge at all	...partly address this challenge	...largely address this challenge	...decisively address this challenge	No opinion
Enhance the take-up of personal pensions by consumers in the EU	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>
Enhance cross border offer of personal pension products by providers in the EU	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>
Widen the range of providers	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>
Enhance efficiency, asset allocation and returns when offering personal pension products	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>
Contribute to innovation within the personal pension product market	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>

**Other (please specify):**

*500 character(s) maximum*

We support EIOPA's proposal of creating an "independent watchdog committee" (PPP CP, February 2016, p. 70) for the additional governance of any provider, i.e. "an external and independent body with relevant pension knowledge and expertise". As pointed out, "such committees would be responsible and accountable for assessing the on-going Value for Money". Independent body must imply that a majority of its members are economically independent from the financial industry and from its providers.

**33. A European personal pension account could be established, similarly to the Individual Retirement Account (IRA) offered in the United States. An IRA is a personal savings plan that gives individuals tax advantages when saving for retirement. It encompasses different types of plans, depending on the income or employment status of an individual, their tax circumstances and the investment options they choose. There can be many different types of providers: an IRA can be opened with banks, credit unions, insurance companies, mutual fund companies and brokerage firms. Most IRA providers offer a broad variety of investment options, including stocks and bonds, money market funds and mutual funds.**

**Would such an approach address the challenges below?**

A personal pension account would...

	...not address this challenge at all	...partly address this challenge	...largely address this challenge	...decisively address this challenge	No opinion
Enhance the take-up of personal pensions by consumers in the EU	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>
Enhance cross border offer of personal pension products by providers within the EU	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>
Widen the range of providers	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>
Enhance the efficiency, asset allocation and returns when offering personal pension products	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>
Contribute to innovation within the personal pension product offer	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>

**Other (please specify):**

*500 character(s) maximum*

If they so wish, IRA holders can even invest directly in listed securities such as shares and bonds. This provides full flexibility for those who would wish to do that and provides a level playing field for securities versus « packaged » (and more fee-loaden) products, such as investment funds or even more packaged products such as unit-linked insurance contracts (which bear at least two layers of fees instead of usually only one for investment funds and none for direct equity investments).

**34. A European personal pension product could be established on a voluntary basis, based on a set of common and flexible features, in order to provide pension income in retirement. Such features could include transparency and disclosure requirements, investment options, accumulation and decumulation options, distribution specificities, guarantees on the product, and fees and charges levied. The main difference between a personal pension account (described under question 36) and a personal pension product is that a personal pension account does not pre-define investment options. The role of tax advantages would be similar for the personal pension account and the personal pension product. This approach could take inspiration from the Undertakings for Collective Investment in Transferable Securities (UCITS), European Long Term Investment Funds (ELTIF), the EuVECA and EuSEF funds, the European company statute and the EIOPA advice on the development of a Pan-European Personal Pension Product.**

A European personal pension product would...

	...not address this challenge at all	...partly address this challenge	...largely address this challenge	...decisively address this challenge	No opinion
Enhance the take-up of personal pension products by consumers in the EU	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>
Enhance cross border offer of personal pension products by providers within the EU	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>
Widen the range of providers	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>
Enhance the efficiency, asset allocation and returns when offering personal pension products	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>
Contribute to innovation within the personal pension product offer	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>



**Other (please specify):**

*500 character(s) maximum*

The PEPP project is a one-time opportunity to address the most critical and so far unsolved issue for the standard of living of future European pensioners. But it must be linked to the Consumer-Centric Approach developed by EIOPA in its PPP Consultation Paper in February 2016 (p. 48). There must not be any setbacks related to the level of consumer protection already reached by MIFID2 and IDD, mainly cost disclosures and Product Oversight and Governance requirements.

**35. The EU could consider harmonising national personal pension regimes, in particular on the aspects of prudential supervision, possible providers, maximum costs, disclosure requirements, distribution models etc. but excluding tax requirements. Would such an approach address the challenges below?**

Harmonising national personal pension regimes would...

	...not address this challenge at all	...partly address this challenge	...largely address this challenge	...decisively address this challenge	No opinion
Enhance the take-up of personal pension products by consumers within the EU	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Enhance cross border offering of personal pension products by providers within the EU	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Contribute to a wide range of providers to offer personal pension products	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Contribute to enhancing the efficiency, asset allocation and returns when offering personal pension products	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Contribute to innovation within the personal pension product offer	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

**Other (please specify):**

*500 character(s) maximum*

While BdV welcomes COM's consultation on PPPs, we wish to make clear that this is only a second best option compared to the much more preferable and effective Pan-European Personal Pension product approach (PEPP). We doubt that any meaningful harmonization of the myriads of PPP regulatory regimes within the EU could happen any time soon. But the pension issue is a ticking time bomb. The completion of a common market for personal pensions in the EU can only be achieved by a PEPP.

**36. Would you favour an alternative EU approach?**

Please provide details.

*5000 character(s) maximum*

We strongly support EIOPA's proposal for a PEPP with standardized and flexible elements (EIOPA's Advice on the development of an EU Single Market for personal pension products (PPP), July 2016). But there must not be any setbacks related to the level of consumer protection already reached by information and disclosure duties, product oversight and governance requirements, prevention of possible conflicts of interest by remuneration and inducement systems (consistency of relevant EU directives).

### 3. Additional information

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Should you wish to provide additional information (e.g. a position paper, report) or raise specific points not covered by the questionnaire, you can upload your additional document(s) here:

**311843ff-0c0b-4102-9f35-c1edccb1aa05/1262\_BdV\_Stellungnahme\_zur\_PPP\_Konsultation\_EIOPA.pdf**  
**86969562-1972-4b6c-8297-76c312b4f198/EIOPA\_CP\_15\_006\_Template-for-Comments-on-PEPP\_BdV.pdf**

#### Useful links

[Consultation details \(http://ec.europa.eu/finance/consultations/2016/personal-pension-framework/index\\_en.htm\)](http://ec.europa.eu/finance/consultations/2016/personal-pension-framework/index_en.htm)

[Specific privacy statement \(http://ec.europa.eu/finance/consultations/2016/personal-pension-framework/docs/privacy-statement\\_en.pdf\)](http://ec.europa.eu/finance/consultations/2016/personal-pension-framework/docs/privacy-statement_en.pdf)

[More on the Transparency register \(http://ec.europa.eu/transparencyregister/public/homePage.do?locale=en\)](http://ec.europa.eu/transparencyregister/public/homePage.do?locale=en)

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#### Contact

