

## **PRESS RELEASE**

# **PAN-EUROPEAN PERSONAL PENSION PRODUCT: BETTER FINANCE AND EUROPEAN PARLIAMENT STRIVE TO ENSURE EU SAVERS GET AN ADEQUATE PENSION**

**24 May 2018** - With a global pensions gap estimated at \$70 trillion and forecasted to mushroom to \$400 trillion by 2050, the future of pensions is by far the biggest financial issue faced by EU citizens. With this in mind, the European Commission's Proposal for a Pan European Personal Pension product (PEPP) from 29 June 2017 has been up for discussion at the different committees of the European Parliament (EP) concerned.

BETTER FINANCE welcomes the proposed amendments from the EP rapporteurs and shadow rapporteurs as a step in the right direction towards a simple and safe PEPP that could regain the trust of EU citizens. Several key amendment proposals by BETTER FINANCE<sup>1</sup> have been taken on board by the EP rapporteurs and shadows for the Committee on Economic and Monetary Affairs (ECON), the Committee on Employment and Social Affairs (EMPL) and the Committee on Internal Market and Consumer Protection (IMCO).

### **A Default Investment Option**

The case made by BETTER FINANCE for real "capital protection" for the default investment option for a PEPP that would allow PEPP subscribers to recoup the capital invested, including accumulated fees and inflation, was taken on board by the ECON and IMCO committee rapporteurs.

Several stakeholders propose to add a "life-cycle" approach to the "capital protection" one for the PEPP's default investment option. BETTER FINANCE supports such an approach, albeit subject to certain conditions. As clearly shown by a research by BETTER FINANCE<sup>2</sup> into the risk mitigation techniques used in existing life cycle products, there are important divergences between the asset allocation glide paths of different products (in particular, the study finds important differences between the initial and final equity ratios of the different portfolios). Such divergences are likely to generate significant differences in long-term returns, with different probabilities of losses at the time of retirement. Therefore BETTER FINANCE stresses the importance of a clear, simple and standardised design of the life-cycle approach for the default investment option, to be supervised by the European Insurance and Occupational Pensions Authority (EIOPA).

### **A Key Information Document (KID)**

The ECON and EMPL rapporteurs followed BETTER FINANCE in its request for information on past performance covering the years that the PEPP has been operating. At least, like this, pension savers will know whether a product has made or lost money in the past. Under the current

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<sup>1</sup> See BETTER FINANCE position & proposed amendments with regards to the PROPOSED REGULATION ON A PAN EUROPEAN PERSONAL PENSION PRODUCT (PEPP) [here](#).

<sup>2</sup> Report to be released soon.

proposed amendments, the PEPP KID will also provide the saver with a detailed overview of all costs associated.

It is regrettable though that BETTER FINANCE's proposal to publish a benchmark alongside the past performance of the product - as currently required for the KIID of UCITS investment funds - was not taken on. In this case, pension savers will not be able to compare the product's achievement with other similar products.

### **Collective Redress**

BETTER FINANCE also commends the ECON rapporteur for introducing a collective redress mechanism which will ensure true access to judicial and compensatory mechanisms for savers in case of conflicts.

Unfortunately no rapporteur or shadow took BETTER FINANCE's amendment proposal to give pension savers access to simple and low-cost investment products such as equities and index ETFs in the alternative investment options, in line with the Capital Markets Union initiative of which the PEPP is a part.

Guillaume Prache, Managing Director of BETTER FINANCE, said that *"EU pension savers hope that the ECON Committee will confirm these improvements, but could end up being disappointed since, for now, the EU Council's Compromise Proposal does not include any of these parliamentary improvements to the proposed Regulation for a PEPP"*.

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