BF BETTER FINANCE

The European Federation of Investors and Financial Services Users
Fédération Européenne des Épargnants et Usagers des Services Financiers

PRESS RELEASE

The Muddled Pan-European Pension Revolution: Why PEPP's Potential Is Still Out of Reach

Brussels, 10 January 2025 – The long-awaited Pan-European Personal Pension Product (PEPP) was designed to transform retirement savings in Europe, but industry opposition and sluggish progress are stalling its game-changing promise. BETTER FINANCE, the European Federation of Investors and Financial Services Users, has published a position paper, "***The Future Pan-European Pension Product: Realising PEPP's Potential for Pension Adequacy***," urging EU policymakers to take decisive action to ensure PEPP reaches the EU-wide market and benefits European savers.

Introduced in 2022 as a low-cost, portable pension solution, PEPP aims to simplify saving across EU borders and boost investments in the European economy. However, the rollout has faltered, with just one provider currently offering the product. BETTER FINANCE warns that, unless urgent reforms are enacted, the PEPP risks becoming a missed opportunity to address Europe's looming pensions crisis.

Why PEPP Matters

Europe's ageing population is fuelling a pensions time bomb. State pensions are struggling to meet growing demands, while many private pensions are eroding savings with high fees and poor returns. The PEPP, with its capped 1% fee for the "basic" option, offers a lifeline for savers, providing better value and portability to drive EU-wide pension adequacy.

Yet the financial industry has failed to embrace PEPP, citing concerns over its fee cap and perceived lack of market appeal. Critics have questioned the product's viability, with some providers hesitant to prioritise a low-cost offering over more profitable alternatives. BETTER FINANCE challenges this scepticism, pointing to the success of low-cost pension schemes in the US, UK, and Australia as evidence that PEPP's potential can be realised.

A Roadmap for Reform

To overcome industry hesitation and unlock PEPP's transformative potential, BETTER FINANCE proposes the following reforms:

- Equal Tax Treatment: Extend the same tax benefits to PEPP as those enjoyed by national pensions to incentivise uptake.
- Simpler Design: Make PEPP more user-friendly, easier to understand, inspired by the streamlined approach of the US Individual Retirement Account (IRA).
- Workplace PEPPs: Empower employers to offer PEPPs with automatic enrolment and contributions.
- Digital Accessibility: Remove mandatory advice requirements for the "basic" PEPP to enable direct, low-cost online sales.

Overcoming Barriers

Resistance from financial providers and low public awareness remain the primary hurdles. BETTER FINANCE recommends making cross-border sub-accounts optional, integrating an occupational version of PEPP as the default option of EU-wide auto-enrolment systems, and enabling savers to transfer existing pensions into PEPP.

What's at Stake?

If reformed, PEPP could save European savers billions in fees while advancing the EU's Capital Markets Union goals. For instance, Italian savers could have avoided €3.7 billion in fees over the past 15 years under PEPP's fee cap. These savings would strengthen individual retirements and inject much-needed capital into Europe's economy.

Aleksandra Mączyńska, Managing Director of BETTER FINANCE, commented: *"PEPP represents a once-in-a-generation opportunity to democratise pensions across Europe. The time for bold action is now. With strong leadership, and by following BETTER FINANCE's and EIOPA's recommendations, PEPP could become the cornerstone of a fairer and more robust pension landscape for all Europeans."*

- ➔ For the full position paper, visit BETTER FINANCE's website.

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