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

PRESS RELEASE

ECON MEPs ADOPT A FINAL REPORT ON A "BASIC PEPP[1]" THAT WILL HURT PENSION SAVERS

3 September 2018 – BETTER FINANCE wishes to stress that providing EU citizens with a really safe PEPP is critical for their future pension adequacy. It is happy to see that the MEPs approved some of the improvements for pension savers it has been supporting, such as:

- the collective redress provision,
- the right for independent saver associations to subscribe a PEPP on behalf of their members (the inclusion of these associations as subscribers of PEPP products was indeed important as these associations have proven to be very effective in providing a better balance to the relationship between providers and pension savers),
- the annual fee cap of 1% for the basic PEPP,
- and the disclosure of the past performance of the PEPP since its inception and not just for five years (however, there is no requirement to also disclose the provider's benchmark performance alongside that of the PEPP itself – as currently required for UCITS funds, thus preventing PEPP savers from assessing whether the provider has met its performance objectives or not).

However, despite BETTER FINANCE's repeated warnings and meetings with representatives of the EU citizens at the Parliament, the ECON committee today decided to adopt a capital "protection" scam for the "basic PEPP" which is clearly against EU consumers.

BETTER FINANCE on several occasions[2] raised the fact that capital protection implies that the notion of "capital" must be calculated on the basis of the amounts saved **before** the deduction of all accumulated fees, charges and expenses directly or indirectly borne by investors, and if possible in real terms (offsetting the very negative impact of inflation over time).

However, after a promising draft report[3], the final version of article 2(21) will unfortunately rip off savers who choose the basic PEPP because of its capital "protection" feature: over the long-term, accumulated fees and inflation will destroy both the nominal and real value of this "protection". The draft report released earlier this year was much friendlier to EU savers as it

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[1] PEPP: Pan-EU Personal Pension Product

[2] BETTER FINANCE's previous press releases on PEPP:

- Strong warning on the Pan-European Personal Pension Product: Better Finance once again asks eu legislators not to mislead EU citizens on the so-called capital "protection"
- PERSONAL PENSIONS: BETTER FINANCE releases research findings on life cycle pensions and once more requests that EU policy makers ensure a real protection of personal pension savings
- PAN-EUROPEAN PERSONAL PENSION PRODUCT: BETTER FINANCE and European Parliament strive to ensure EU savers get an adequate pension

[3] ECON committee draft Report

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provided that "*capital protection shall allow the PEPP saver to recoup the capital invested, including fees, costs and inflation*[4]".

*Guillaume Prache, BETTER FINANCE's Managing Director stressed that "we are shocked to see MEPs proposing to protect pension savers by guaranteeing them to recover in all likelihood less than 30 % of the purchasing power of their pension savings after 40 years. Worse: all this without informing or warning them! It is beyond our understanding how anyone caring about the future of EU savers could support this approach and not even inform the consumers about the very poor real value of such a "capital protection". We may soon witness **the worst mis-selling scandal ever seen in EU rules**. "*

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[4] ECON committee draft Report