Briefing

EU Legislation in Progress

October 2017

European Parliament

Framework for a pan-European personal pension product (PEPP)

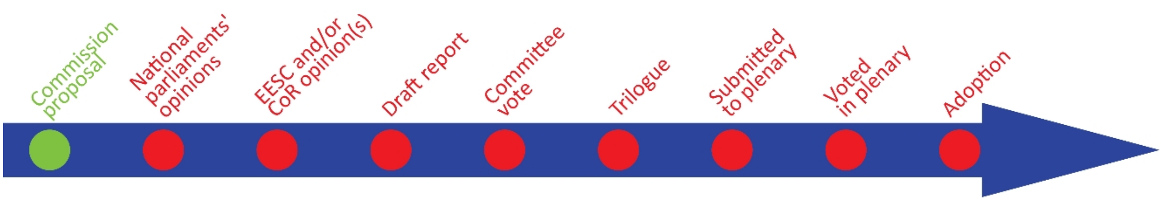
OVERVIEW

Europe's population is ageing, due to people living longer and having fewer children, putting increased pressure on pension systems. This has led to reforms to make public pensions more sustainable – and often less generous – in future. To support retirement incomes, the European Commission's 2012 pensions white paper called for more opportunities for citizens to save in safe and good-value complementary pensions.

The proposed framework for a pan-European personal pension product (PEPP) aims to encourage the development of personal pensions (that is, voluntary individually funded pensions) in Europe, to help support retirement saving and strengthen the single market for capital by making more funds available for investment. Generally the proposal is considered a welcome extra option to support retirement savings and investment. However differing national pension systems and tax treatments are noted as challenges, although the Commission has also issued a tax recommendation.

Proposal for a regulation of the European Parliament and of the Council on a pan-European personal pension product (PEPP)

Committee responsible:	Economic and Monetary Affairs (ECON)	COM(2017) 343 29.6.2017
Rapporteur:	Sophia in 't Veld (ALDE, The Netherlands)	2017/0143 (COD)
Shadow rapporteurs:	Brian Hayes (EPP, Ireland Renato Soru (S&D, Italy) Ashley Fox (ECR, United Kingdom) Bas Eickhout (Greens/EFA, The Netherlands) Gerolf Annemans (ENF, Belgium)	Ordinary legislative procedure (COD) (Parliament and Council on equal footing – formerly 'co-decision')
Next steps expected:	Initial discussions in committee	



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PE 608.740

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Introduction

Europe's population is ageing, due to people living longer and having fewer children than in the past. As a result, we are moving from having around four people of working age (15-64) for every person aged over 65 years, to just two by 2060.[1] This has put increased pressure on pension systems, and led to reforms to make them more sustainable for the future. As a result, pay-as-you-go public pensions (also known as pillar I pensions[2]) are, in general, expected to become less generous in future.[3] To support retirement incomes, the European Commission's 2012 pensions white paper called for more opportunities for citizens to be able to save in safe and good value complementary funded pensions. Complementary funded pensions include occupational pensions (private supplementary pensions linked to an employment relationship – also known as pillar II) and personal pensions (private individual voluntary supplementary pensions – known as pillar III).

Existing situation

There is limited EU-level competence on pension systems, as these are largely for the Member States to determine. With public (pillar I) pensions, the EU role is essentially limited to ensuring that people exercising their right to free movement[4] do not lose out, plus some anti-discrimination provisions. Similar provisions[5] cover occupational (pillar II) pensions. On top of these aspects, there are further rules covering pillar II (occupational) and III (personal) pensions, given their pre-funded nature and interactions with the single market. In essence, these rules relate to minimum prudential standards, and worker and consumer protection.[6]

The personal pensions market is mostly served by insurance companies, with some provided by occupational pension funds and asset managers. It is very diverse across the EU with some Member States having almost no personal pension savings, whilst others have more vibrant markets with significant savings.[7] Nonetheless, in terms of their overall importance in retirement incomes, personal pensions are far behind both public (pillar I) pensions and occupational (pillar II) pensions. According to the Commission's impact assessment, the EU personal pension market is estimated at around €0.7 trillion currently. This compares to over 10 times as much – around €7.5 trillion – in existing occupational pensions entitlements. EU expenditure on public pensions was around 11.3 % of EU GDP in 2013.[8] Other long- and shorter-term savings are also considerably more substantial than personal pensions, with around €5 trillion of life insurance and annuity entitlements, and over €10 trillion in currency and deposits in the EU. Hence personal pensions currently play a relatively minor role across the EU, on average, both in supporting retirement incomes and as a source of investment funding for the economy.

Parliament's starting position

In response to the European Commission's pensions white paper, the European Parliament's resolution of 21 May 2013 welcomed 'the call in the White Paper for developing both funded, complementary occupational pensions ... and, if possible, individual schemes'. It also recognised 'the potential of occupational and individual pension providers as substantial and reliable long-term investors in the EU economy'. However, it stressed that collective occupational pension savings had the advantage of allowing 'for solidarity within and between generations, whereas individual schemes do not', and hence the Commission should recommend and promote such occupational pension schemes.

A European Parliament resolution of 19 January 2016 on EU financial services regulation and a capital markets union called for financial product innovation, including, for example, the 'development of a pan European [personal] pension product (PEPP), with a simple transparent design'.[9] This may contribute both to supporting retirement incomes and providing more investment, benefitting the real economy.

Council starting position

On 21 June 2012, in response to the Commission's white paper on pensions, Council conclusions invited Member States and the European Commission to 'support the development of supplementary pension schemes as a possible way to ensure the adequacy of present and future pensions'. In 2015, in response to the Commission action plan on building a capital markets union (CMU), the Council supported 'exploratory work on the potential merits of a European framework for long-term individual savings schemes such as third pillar personal pensions'.

Preparation of the proposal

As already noted, the Commission's pensions white paper of February 2012 had called for more opportunities for citizens to save in safe and good value complementary funded pensions. Subsequently, on 18 July 2012, the Commission requested that the European Insurance and Occupational Pensions Authority (EIOPA) develop technical advice on an EU internal market for personal pension schemes or products. This led EIOPA to publish a discussion paper on 16 May 2013 'on a possible EU-single market for personal pension products', seeking comments by 16 August 2013. As part of this, a public event was held in June 2013. A preliminary report to the Commission was published by EIOPA in February 2014. Following this report, the Commission issued a call for advice on personal pensions to EIOPA on 23 July 2014. This sought further advice and evidence from EIOPA, including the possible prudential regulation and consumer protection measures for an EU-wide framework for the regulation and supervision of personal pension products.

On 18 February 2015, the Commission published a green paper, 'Building a capital markets union'. This paper noted that growing funded pension provision could increase available investment funds and contribute to the sustainability and adequacy of pension systems. It went on to raise the possibility of introducing a standardised pan-European personal pension regime to improve cross-border access and strengthen the single market in personal pensions, 'improving coverage and take-up with appropriate security of savings'. A specific consultation question was 'Would the introduction of a standardised product, or removing the existing obstacles to cross-border access, strengthen the single market in pension provision?'.

On 3 July 2015, taking account of the focus in the green paper on the CMU, EIOPA issued a consultation paper on 'the creation of a standardised Pan-European Personal Pension product (PEPP)'. The consultation ran until 5 October 2015. Having considered this feedback, EIOPA published its final advice on the PEPP on 1 February 2016, and a final report on the public consultation was published on 11 April 2016. EIOPA considered the consultation supported its view that a PEPP with a defined set of regulated, standardised elements (including some flexible ones) 'would be best placed to support sustainable pensions via personal pension savings'. EIOPA noted that the PEPP should be safe, cost-effective, transparent and flexible, and would complement pillar I and II pensions in Member States and also support the CMU's objectives.

The Commission followed up the CMU green paper with its action plan on building a capital markets union, published on 30 September 2015. This noted that 'Retail savings held directly or indirectly through asset managers, life assurance companies and pension funds are key to unlocking capital markets...'. It went on to confirm that the Commission would 'explore ways to increase choices for retirement saving and build an EU market for personal private pensions which pension providers could opt for when offering private pensions across the EU'. This approach was supported by the accompanying 'Feedback Statement on the Green Paper "Building a Capital Markets Union"' which noted that a large number of respondents supported the idea of a PEPP. Consumer organisations called for value for money, certainty and mobility, with transparency and some choice in investment and withdrawal options. The investment fund industry was strongly in favour of the PEPP. Personal pension providers felt it needed careful assessment, and that the PEPP should be explicitly retirement focussed and so be a long-term investment product with restricted early withdrawal, and include the possibility to purchase cover for longevity risk.

Building on the earlier work undertaken by itself and EIOPA, on 27 July 2016 the Commission launched a specific consultation to help assess the case for a policy framework to establish European personal pensions. There were two main objectives of the public consultation: (i) to identify obstacles (and solutions) to the take-up of personal pensions; and (ii) to help analyse the case for an EU personal pension framework. Views were sought on 'possible EU action in order to offer personal pensions to individuals which are simple, affordable, transparent and provide better returns'. The consultation, which included a public hearing held on 24 October, closed on 31 October 2016, having attracted 586 responses from individuals, consumer organisations and stakeholders. The 2017 Commission work programme noted that the Commission would 'propose a simple, efficient and competitive EU personal pension product aimed at reducing barriers to the provision of pension services across borders and increasing competition between pension providers'.

The proposal for a regulation 'on a pan-European Personal Pension Product (PEPP)' was made on 29 June 2017 as envisaged in the work programme. The Commission also published a recommendation 'on the tax treatment of personal pension products, including the pan-European Personal Pension Product'. The recommendation recognised that tax incentives, which are a national competence, are one of the key drivers of take-up of personal pensions. It therefore encouraged Member States to grant the same tax incentives to the PEPP as those available for national personal pensions, including where 'the PEPPs product features do not match all the national criteria required by the Member State to grant tax relief' to personal pensions.

The proposed regulation and the recommendation were accompanied by an impact assessment (summary) and also a 'Study on the feasibility of a European Personal Pension Framework' (summary) which had been ordered by the Commission to assist with developing the PEPP proposal. These documents built on earlier work, including by EIOPA, to make the case that the market in personal pensions was fragmented, with limited cross-border selling and portability. According to these documents, developing a single market in personal pensions could offer economies of scale, better diversification of risk and more innovation. This could benefit consumers who are looking to save in personal pensions to support their retirements, but have been dissatisfied with the options currently available. In addition, a better personal pension market could also help address a lack of investment on EU capital markets contributing to the completion of the CMU.

The impact assessment (IA) set out three specific objectives of the proposal:

1) increase investment in the EU and contribute to completing the CMU;

2) enhance features of personal pension products; and

3) enhance the cross-border provision and portability of personal pension products.

It considered that only EU-level action could address the fragmented personal pension market, given differences in national rules. Three options were considered: (i) no change; (ii) developing the framework for the PEPP; and (iii) harmonisation of national personal pension rules. Option (ii) was preferred as it provided standardisation, giving opportunities for economies of scale, whilst also having some flexibility to fit with national systems so that the vital tax benefits may be granted. Such an approach also garnered most support with consumers and providers, and was in line with EIOPA's advice. Option (i) would not address the problem, and option (iii) would disrupt existing personal pensions and be politically difficult, being strongly opposed by Member States.

Under the preferred option, providers (including insurers, pension funds, investment firms, banks and asset managers) authorised under EU sectorial regimes would be able to design pan-European personal pension products (PEPPs) based on common features. For retail investors, the PEPP would provide an additional choice for complementary retirement savings. Mobile workers would benefit from improved portability.

The IA considered the PEPP proposal could grow the personal pensions market in the EU from the current estimate of €0.7 trillion to €2.1 trillion by 2030. Without the PEPP, it could be expected to grow to only €1.4 trillion (from new investments in national personal pensions and growth of assets) over the same period. However, this positive impact of the PEPP was predicated on it attracting similar tax advantages to those available for national personal pensions. Therefore, Member States' decisions in response to the Commission's recommendation on granting similar tax benefits to PEPPs can be expected to be crucial to the success, or otherwise, of PEPPs. Overall, the proposal would, over time as funds built up, bolster the CMU, whilst also providing another option for EU citizens' retirement saving, in particular for self-employed and mobile workers.

The Commission's Regulatory Scrutiny Board issued a negative opinion on 2 May 2017, feeling the IA had important shortcomings that needed to be addressed. This included providing evidence that the PEPP could significantly mitigate the low take-up of personal pension products, and explaining how it would be more attractive than national products; and the baseline and impacts needed quantifying and that it presented an unnecessarily complex set of objectives and policy options. Other points included explaining 'how the notion of a simple, efficient and competitive PEPP fits with product features that include different national compartments.' ('Compartments' are a concept to allow the same PEPP to offer a national-incentives-compliant product in each national jurisdiction).

Following further work, the Scrutiny Board gave the IA a positive opinion with reservations on 22 May 2017. This opinion acknowledged significant improvements, with a focus on the CMU (rather than pensions) and better baseline and impact quantification. Shortcomings still needed to be addressed, centred on: (1) explaining how the PEPP will be more attractive than national products, in particular in the absence of tax incentives; (2) the uptake of the PEPP and hence its contribution to the CMU; and (3) clearly establishing the PEPP as the optimal choice given the uncertainties on the effectiveness and political feasibility of this option mentioned in the IA. An initial appraisal of the Commission's IA by EPRS' Ex-Ante Impact Assessment Unit will be published soon.

The changes the proposal would bring

The proposed regulation has 11 chapters, to establish a framework for a pan-European personal pension product (PEPP) to meet the objectives already noted above.

Chapter I, general provisions, outlines the definitions and rules that apply to the PEPP. The PEPP is defined as a voluntary contract between an individual saver and a PEPP provider, which has an explicit retirement objective providing capital accumulation until retirement with only limited early access, and provides an income on retirement (article 2 (1)). Other important concepts defined in article 2 include: 'pan-European Personal Pension Product', 'PEPP account', 'retirement benefits', 'accumulation phase', 'decumulation phase', 'provider' and 'distributor of a PEPP', 'portability of the PEPP' and 'switching providers'. Article 3 sets out that, apart from the regulation, the PEPP will be governed by its contract terms, Member State laws adopted in implementation of EU measures on PEPPs, and national laws which apply to comparable personal pensions.

Chapter II, authorisation, sets out that PEPPs are authorised by EIOPA (article 4), and that providers wishing to apply for PEPP authorisation need to be financial undertakings already authorised at EU level by the competent authorities under the applicable sectoral legal instrument (article 5). Applications can also be made to EIOPA (which must consult the competent supervisory authority) to convert existing personal pension products into PEPPs (article 7). Financial undertakings that have not created PEPPs themselves can also distribute them with the authorisation of the national competent authorities (article 8). PEPP providers must comply with the regulation and the prudential rules applicable under whichever regime they are authorised at EU level (article 9). A central public register of authorised PEPPs will be kept by EIOPA (article 10).

Chapter III, cross-border and portability, allows savers to keep their PEPP when moving to another Member State (articles 12 and 13). To cope with the different national regimes, the concept of 'national compartments' is introduced (articles 13 to 17). These compartments (which must be available to cover all Member States three years after the entry into application of the regulation), allow the same PEPP to offer a national-incentives-compliant product in each national jurisdiction. Prior to the three-year deadline, providers will have to inform savers of the available compartments.

Chapter IV, distribution and information, promotes transparency and electronic communication as the default (article 21). A key information document (KID) will be produced for each PEPP setting out specified standard information, building on existing rules in the Packaged retail and insurance-based investment products (PRIIPs) Regulation (Regulation (EU) No 1286/2014). This will include information on any guarantees, switching, portability, and environmental, social and governance factors. In contrast to PRIIPs rules, providers will also have to set out information on past performance over at least five years, or the maximum available. The Commission is empowered to adopt technical standards (developed by the European supervisory authorities) to specify the content and presentation of certain KID information (article 23). Article 24 on disclosure of information related to distribution, allows the Commission to adopt delegated acts on the criteria for the standardised format of such information. PEPP providers will be expected to conduct a suitability and appropriateness test of potential PEPP savers, although savers may waive their right to receive advice if they opt for the default option (articles 25 and 26). During the contract term, PEPP benefit statements, based on similar criteria set out in the Directive on the activities and supervision of institutions for occupational retirement provision (IORP II) (Directive 2016/2341/EU), must be provided, giving specified information on accrued entitlements or accumulated capital and any guarantees applicable (articles 27 and 28) and where to go for further information. The Commission is empowered to adopt technical standards (to be developed by EIOPA) on the details of the format of the benefit statement (article 29).

Chapter V, accumulation phase, sets out the 'prudent person' provisions for investment policies (article 33). Up to five investment options are to be offered, one of them being a default which protects at least the capital invested (article 34). The investment choice can be changed free of charge once every five years (article 36). Article 39 gives the Commission the powers through delegated acts to set the risk-mitigation technique for the default options and alternative options. Other accumulation criteria, such as age limits, maximum amounts of contributions and early redemption rules are for Member States to set (article 40).

Chapter VI, investor protection, covers appointment of a depository (article 41). Article 42 allows PEPPS to offer the option of coverage for biometric risk (i.e. longevity, disability and death). A complaint procedure, including the requirement for alternate dispute resolution mechanisms, is also set out (articles 43 and 44).

Chapter VII, switching of PEPP providers, allows PEPP savers to switch providers once every five years (article 45), establishes the parameters for a switching service (articles 46 and 47) at a 'reasonable' cost, capped at 1.5 % of the PEPP balance (article 48). Liability for financial losses in case of the PEPP provider not meeting its switching obligations (article 49) and the provision of information on switching (article 50) are also covered.

Chapter VIII, decumulation phase, sets out that most rules relating to the decumulation (pay-out) phase are for Member States to determine, including: setting the retirement age; a mandatory link between reaching retirement age and the start of the decumulation phase; a minimum period of belonging to a PEPP scheme; a maximum period before reaching retirement age for joining a PEPP scheme; and redemption rules in case of hardship (article 51). Pay-out forms offered by PEPP providers may be one or more of: annuities; lump sum; drawdown payments; or a combination of these. PEPP savers select their preferred option on concluding the PEPP contract, and (where applicable) can change their choice once every five years during the accumulation phase (article 52). This may have implications for whether the PEPP can qualify for national tax incentives in some Member States.

Chapter IX, supervision, sets out the division of responsibilities between EIOPA and the national competent authorities. EIOPA is required to monitor pension schemes established or distributed in the territory of the EU, to ensure the designation PEPP is only used by those authorised under the proposed regulation (articles 53 to 55). EIOPA also has a role in resolving any disputes between national authorities regarding cross-border situations relating to PEPPs (article 56).

Chapter X, sanctions, describes which infringements of the proposed provisions may lead to penalties, how national competent authorities may impose these penalties (articles 57 to 59) and how infringements and penalties should be reported (article 60).

Chapter XI, final provisions, via article 62, confers on the European Commission the power to adopt delegated acts in the areas of: standardised format for distribution information to aid consumer understanding of risk and the making of comparisons (article 24 (3)); how to comply with distribution rules for non-advised PEPPs, including information to be obtained to assess appropriateness of PEPPs for consumers, and certain criteria for default funds not requiring advice (article 26(3)); assumptions for benefit projections (article 28(2)), information standards for reporting to national authorities (article 32(7)) and specifying risk-mitigation techniques for default and non-default fund options (article 39). The Commission is required to evaluate the regulation five years after the date of entry into force of the regulation (article 63).

The Commission also adopted a recommendation on tax, alongside the proposed regulation. This recognises the fact that voluntary personal pensions are in general only successful where there are strong tax incentives for savers. Hence, if the PEPP is to be successful, it will need to be eligible for tax incentives.[10] These, of course, are a national competence. Hence the Commission encourages Member States to grant PEPPs the most favourable tax relief as may be available to national personal pension products, even where the PEPPs features do not fully match those required to qualify for such tax relief. It also requests Member States to share best practice with a view to aligning their national criteria for tax relief for personal pension products over time.

Advisory committees

The European Economic and Social Committee (EESC) appointed Philip Von Brockdorff (Workers – Group II, Malta) as rapporteur. The adoption of the EESC opinion is scheduled for the plenary session of 18-19 October 2017.

National parliaments

The deadline for national parliaments issuing reasoned opinions on the grounds of subsidiarity is 27 October 2017. None have been received so far.

Stakeholders' views

This section aims to provide a flavour of the debate and is not intended to be an exhaustive account of all different views on the proposal. Additional information can be found in related publications listed under 'EP supporting analysis'.

The proposal is generally welcomed as a positive step, giving more choice alongside existing pensions. The standardised nature of the PEPP could help to bring down costs and increase portability. However, it may have only a limited effect overall, and the tax treatment (which is for Member States to determine, albeit the Commission has made a recommendation on this) will be key. The PEPP may be of most interest to mobile workers, the self-employed and those living in Member States with less-developed personal pensions markets, for example in eastern Europe.

Insurance Europe (representing Europe's insurance and reinsurance companies) welcomed the long-term nature of PEPP saving, and the default investment option ensuring capital protection for savers. It also welcomed the digital approach to information provision. Noting Europe's insurers were the main providers of personal pensions, it said it would study the proposal further to assess whether it would be attractive to savers and providers, as a complement to current options.

PensionsEurope (the representative of European pension funds) also welcomed the PEPP as a way to increase saving and support the CMU. Noting public pensions and occupational pensions are, and will continue to be, the main element of retirement income, PensionsEurope considers the PEPP could nonetheless be useful to self-employed workers and those in new forms of employment. At the same time, PensionsEurope called on the Commission to promote occupational pension systems and to respect existing national and personal pension legislation.

EFAMA (the European Fund and Asset Management Association) fully supports the PEPP proposal, noting the need to support long-term investment and encourage greater retirement saving, alongside existing state and occupational pensions. It highlighted the fragmentation of the market, lack of cross-border distribution and resulting limited competition, higher prices and absence of portability of personal pensions across the EU. EFAMA feels the PEPP will help tackle these problems, generating economies of scale thus benefiting consumers through lower costs and also welcomed the tax recommendation. EFAMA called for flexibility to enable different types of providers to offer a PEPP and encourage the development of different types of default investment strategies, including life-cycle strategies. Such a strategy typically involves risk diversification during the accumulation phase, with higher risk/return investments in the early years, then gradually and automatically moving to lower risk/return investments as retirement approaches.

The CFA Institute (Chartered Financial Analyst Institute) welcomed the PEPP proposal and the recommendation on granting tax relief in particular. It noted that in earlier work on the PEPP and CMU development, a survey of its members found 59 % considered the PEPP necessary to strengthen the single market in pension provision. It welcomed the regulatory consistency EIOPA's role in authorising PEPP providers will bring, but also called for EIOPA to play a role in driving supervisory convergence among Member States. The CFA Institute also hailed as a significant development the inclusion of past performance information in the PEPP KID, something it felt was an improvement on the PRIIPs KID.

Better Finance, strongly supported the PEPP proposal, noting the current fragmentation of the pension savings product market and the need for greater retirement savings. In its view, complexity, opacity and lack of competition in the market resulted in poor value for savers, with high fees and commissions hurting returns. Better Finance supported PEPPs being simple, standardised and cost effective, having default options and being open to various types of providers. It also welcomed the KID and particularly the inclusion of past performance indicators. However Better Finance raised concerns about the capital protection default option, feeling this was illusory, even given low inflation, and therefore not a safe investment strategy. They also felt the alternative investment options excluded direct equity investments, in contradiction to the CMU. This would also damage returns by limiting PEPPs to packaged products attracting fees. Better Finance was keen for Member States to follow the Commission's recommendation on granting tax relief.

AFME (the Association for Financial Markets in Europe) also supported the PEPP proposal, noting the need to develop the single market for pensions with a standardised personal pension product to help people save for retirement. It also welcomed Member States being encouraged to consider providing tax incentives for the PEPP.

Legislative process

The Economic and Monetary Affairs Committee (ECON) is leading on considering the proposal (Sophia in 't Veld, ALDE, the Netherlands). For the Council, the Working Party on Insurance had its first meeting to consider the proposal (at experts' level) on 4 September 2017.

EP supporting analysis

- Eatock, D., European Union pension systems – Adequate and sustainable?, EPRS, European Parliament, November 2015.

- Eatock, D., Prospects for occupational pensions in the European Union, EPRS, European Parliament, September 2015.

Other sources

Pan-European personal pension product (PEPP), European Parliament, Legislative Observatory (OEIL).

Endnotes

[1] See for example page 1 of 'The 2015 ageing report', European Commission, 2015.

[2] A typical pensions taxonomy refers to three pillars: pillar I is public statutory pensions administered by the state and normally funded on a pay-as-you-go basis. Some Central and Eastern European (CEE) Member States also have a pillar I bis, which are statutory mandatory pre-funded individual pensions; pillar II is occupational pensions, i.e. normally pre-funded pensions linked to an employment relationship and typically involving the social partners; and pillar III is personal pensions which are pre-funded private voluntary pensions. Pillars II and III are also called 'complementary' or 'supplementary' pensions, given they build on pillar I which is the most important component of retirement income for most people. For more information on taxonomy see the glossary here.

[3] See for example D. Eatock, European Union pension systems – Adequate and sustainable?, EPRS, European Parliament, November 2015.

[4] Modernised co-ordination: Regulation (EC) 883/2004 and Implementing Regulation (EC) 987/2009.

[5] Directive 98/49/EC and Directive 2014/50/EU

[6] Notably Directive (EU) 2016/2341 covering certain occupational pension schemes.

[7] There are many different ways to attempt to measure this, including, for instance, number of people with personal pensions, total assets held in them and assets held in such pensions compared to total financial assets. Data availability and definitions across a varying EU landscape can be an issue. However, as one example extracted from table 2, page 10, of the Commission impact assessment: nowhere do personal pensions represent 10 % or more of a Member State's total financial assets. Denmark (9.9 %) and Malta (9 %) are the highest with the Czech Republic (6.2 %), Slovenia (4.8 %), Spain (4.2 %), Germany (3.9 %) and Belgium (3.4 %) also of note. In contrast, Poland (0.2 %), Romania (0.2 %) and Lithuania (0.1 %) have very little of their total financial assets saved in personal pensions.

[8] See table 1, page 9 of 'The 2015 Ageing Report', European Commission.

[9] The full title 'pan-European personal pension product' and shorter variants have been consistently shortened to 'PEPP' during the proposals genesis and in the Commission's final proposal, hence we use the same acronym.

[10] The Commission IA notes that the €0.7 trillion growth in personal pensions that the PEPP is forecast to bring by 2030 is predicated on PEPPs attracting the same national tax incentives as similar personal pensions. Much more limited take-up of PEPPs is expected otherwise. The modelling in the IA 'demonstrates the dominance of the tax incentive that clearly emerges from the literature as well. Product features play a much smaller role and by themselves would not lead to choosing the product', Annex B, page 85, PEPP impact assessment, European Commission.

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