DUTCH ASSOCIATION OF INSURERS

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The Pan-European Personal Pension Product (PEPP) offers new opportunities, especially in countries with a less developed pension system. For many people it can become an important individual supplement to their first and/or second pillar pension.

In order to benefit from the added value of PEPP, without creating undesirable side effects in the second pillar, a few important amendments to the regulation are necessary. This relates to the providers and characteristics of the product.

IORPs as PEPP providers: differentiate

The European Commission has proposed that also IORPs can offer a PEPP. Many IORPs are occupational pension funds. About or by pension funds frequently the question has been raised whether the possibility to offer a PEPP interferes with the role that pension funds fulfil in the second pillar.

Discussion about this question should not lead to the exclusion of all IORPs. There are also IORPs, such as premium pension institutions, which offer pension schemes on the free market whereby, as entities, they do not bear any technical insurance risks but invest on a collective basis. For these IORPs we don't see a reason to exclude them from provision of a PEPP. It is good to have the possibility to use the expertise of last mentioned category of IORPs here as well. In this way a larger and more innovative offer arises, to the benefit of the consumer.

Recommendation
It is proposed to state in the Regulation of the European Parliament and of the Council on a Pan-European Personal Pension Product (PEPP) that IORPs are only allowed to offer a PEPP if they cannot cover technical insurance risks itself, including biometric risks. For the definition of biometric risks we use the definition in the proposal for the regulation which says that biometric risks means 'risks linked to longevity, disability and death'.

Right to switch providers at retirement for all PEPP savers

One of the starting points of the PEPP is the possibility for the PEPP saver to choose from different forms of out-payments. At the conclusion of the contract the PEPP saver makes a provisional choice about this. Because the offered out-payment options (can) vary between types of providers and in terms of conditions, in our opinion every PEPP saver should have the right to switch providers at retirement. It looks like the proposal for the regulation could mean that PEPP savers can be excluded from such an important right.

Recommendation
We propose to add explicitly to the PEPP regulation that every PEPP saver may change PEPP providers at retirement, if desired.

Cross-border switching: facilitate PEPP savers and strengthen competition

The mechanism behind the portability service envisages opening a new compartment within each individual PEPP account. This compartment corresponds to the legal requirements and conditions for using tax incentives fixed at national level by the member state to which the PEPP saver moves. The obligation to have 27 compartments within each PEPP product, will most likely make a PEPP very complex and expensive to offer. In the current design it seems necessary for the provider to have knowledge about the relevant fiscal rules of all member states. The consequence of this can be that only a few, larger providers can meet this obligation. This would mean less competition, whereas the European Commission aims at more competition.

Recommendation
It is proposed that a PEPP provider determines and communicates which compartments are offered, in combination with the possibility for PEPP savers to switch providers. In this way it is feasible, the provider has the possibility to assess on which countries he wants to focus and the customer has enough alternatives if he moves to another member state.