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- PEPP can be a useful addition to existing 1st and 2nd pillars, but the role of individual Member States is crucial; more may be achieved by accepting that Member States have a central role to play and tailor the proposal in that direction;

- Question of **inclusion or non-inclusion of IORPs as PEPP-provider is much less important** than some other issues:
    - many IORPs are not primarily suited to provide PEPPs because they are focussed to work for a defined group of participants, and have more of a social instead of a commercial purpose;
    - large pension service providers might be in a better position to provide PEPPs, but could do so making use of other legal vehicles than IORPs;
    - **I.e. APG offers a tailor made 3rd pillar pension** product for the self-employed in the Netherlands from an insurance subsidiary; this product might be seen as a **'proto PEPP'** at the national level:
        - offered online via the internet (www.zzppensioen.nl);
        - simple, flexible, limited investment choice;
        - use of UCITS;
        - administered at low cost, i.e. 0,35% on assets under management and €35 per year.
    - I will come back to this later.

- That brings me to the role of **the EU** and of **the Member States**. **The EU** should resist the temptation to burden the product and the providers with too many costly requirements:
    - it is crucial that – as proposed – at least the default option can be **offered completely digitally**, without a need for advice in another than digital form;
    - adding guarantees to the default may sound attractive, but will prevent participants to benefit from a well diversified investment portfolio for the long term as is the case for other long term investments for pensions. Under the present economic circumstances of low interest rates guarantees will lead to relatively low expected pensions;
    - requiring PEPP providers to be able to handle all the legal regimes of tax law, social law and labour law in all Member States, after a three year delay, is unnecessary and

would burden providers with such high initial costs that this may result in serious impediments to market entry, for all but the largest and most determined providers;
    - PEPP aims at 3rd pillar, so the handling of only **tax law should suffice.** Social and labour law are not applicable in respect of the 3d pillar;
    - Providers should not be obliged to enter any specific Member State, unless such a Member State has itself clearly defined and made public in an accessible way what the tax requirements are that should be met;

- Beyond avoiding overburdening the product, we think that PEPPs can greatly benefit from market innovation in product design in the last decade; However, **the real challenge towards the success of PEPP are tax incentives, nudging and distribution**, and Member States are best placed to find the right answers here;

- **The Member States** will be in a position to make or break the development of a healthy PEPP market:
  - I already referred to an innovative pension product in the 3rd pillar we introduced in 2015 for self-employed in the Netherlands, currently more than 10% of the working population. Also, several other providers provide similar products. Our experience is that distribution is challenging.
  - Although we are the largest provider for a product like this:
    - the self-employed are not easily won over to the importance of saving for additional pensions;
    - in as far as they are, they will usually save only within the perimeters of applicable tax incentives;
    - therefore a lot of time is needed to develop a market and make this product commercially viable;
    - Fintech solutions might open up new possibilities in this area.
  - as the APG experience shows, and as is described in the Impact Assessment, **tax incentives are absolutely crucial**;
  - it would be helpful for providers if they do not have to go look in all Member States for the crucial requirements to be met in order to qualify for tax incentives there. These requirements should preferably be made public centrally, by for instance EIOPA; **an obligation for Member States to provide EIOPA with the relevant information could be helpful.**

- Member States that want to profit optimally from the PEPP initiative could, at the national level, consider taking further steps **to nudge people to participate in individual pensions like PEPP**; a best practice currently available is coming from the second pillar in the UK with

NEST and 'auto enrolment'; this is an example of a low cost pension provision that uses defaults and nudging to increase participation. PEPP would allow individual Member states to tap into a developing European PEPP market, with the ambition to develop a much better domestic pension system over time;

  - This idea is something which **cannot and should not be legislated at the European level**, because the design of a national pension system is clearly the competence of the Member States; But it might be considered to invite the Commission to provide a **recommendation** to this effect (comparable to the recommendation on tax) and/or to take this issue up in the 'European Semester', or to add a **recital** to the PEPP proposal;

- APG would be happy to continue sharing its expertise with the Parliament and the other EU institutions, if this would be helpful for the rapporteur and other key players.