NOTICE TO MEMBERS

18.2.2020

Subject: Petition No 0574/2019 by J.P.B.S. (Spanish) on behalf of the Plataforma Logroñesa para la Defensa del Sistema Público de Pensiones (Logroño Platform for the Defence of the Public Pension System), in favour of scrapping pan-European personal pension products (PEPPs)

1. Summary of petition

The petitioner calls for the EU to consider scrapping pan-European personal pension products (PEPPs), as he believes that they will lead to the privatisation of pensions. He believes that this will give rise to a situation whereby pensions are to be sold by brokers, to the detriment of the most disadvantaged groups in society. He criticises the European Parliament’s vote on 4 April 2019 on a proposal for a regulation on PEPPs, as he believes the text defends the interests of the most well-off and penalises those most in need.

2. Admissibility

Declared admissible on 5 November 2019. Information requested from Commission under Rule 227(6).

3. Commission reply, received on 18 February 2020

The Commission acknowledges that strengthening public pension systems is key in order to improve pensions adequacy. The Commission will continue to encourage Member States’ efforts in this respect.

The Commission does not agree that the pan-European personal pension product (PEPP) framework aims at privatising public pension systems. The EU Regulation on PEPP\(^1\) creates a

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framework for a complementary and voluntary personal pension product, which will not interfere with existing pension plans, whether state-based, occupational or personal pensions. Contributions to a PEPP will be purely voluntary and will not replace, nor affect the level of contributions to public and occupational pension schemes. The PEPP was carefully designed to avoid any unintended effects on the first two pension pillars.

The PEPP will offer an additional option to save for retirement for all citizens interested in contributing to a personal pension product, in view of an additional retirement income. It could be particularly beneficial to self-employed persons and persons who made career breaks to take care of young or senior members of their family. It could also be very suitable for mobile citizens, given the portability feature of the product. The PEPP framework will therefore contribute to reducing the pension gap, while offering savers a high level of consumer protection:

- the PEPP framework pays particular attention to the cost-efficiency and affordability of the product for all citizens, including the most modest. Savers will benefit from a simple and affordable Basic PEPP (i.e. the default investment option) with costs capped at 1% of the accumulated capital per year, which is a major consumer protection achievement;

- in addition, costs and fees will be fully transparent for all investment options; savers will receive detailed information on fees both before the signature of the contract (in the PEPP key information document), as well as every year during the life of the product (in the PEPP pension benefit statement);

- PEPP savers will also be able to switch providers after a minimum of five years from the conclusion of the contract, to avoid being locked with an unsuitable provider or product. This is expected to enhance competition between providers leading to a broader choice of quality products for savers with lower costs;

- furthermore, PEPP savers will benefit from extensive pre-contractual information through a key information document (KID) and appropriate advice to be able to take informed decisions; to ensure adequate protection for longevity risks, savers will receive before retirement advice on the optimum form of out-payments for their needs.

These features were also welcomed by consumer organisations as an adequate response to the concerns they expressed in the past as regards insufficient supply on the market of quality and cost effective personal pension products.

Finally, as regards the petitioners’ remarks about the adoption process of the PEPP Regulation, the Commission would like to highlight that this legislative initiative was prepared and adopted in accordance with the highest level of transparency. All interested stakeholders had the possibility to submit their views during the different consultation processes organised by the Commission and the European Parliament. It was also approved by the European Parliament and the Council with a large majority.

Conclusion

The Commission does not have a basis to intervene in the matter.