



# Summary of Public event on Personal Pensions

The article summarises some of the points made by speakers at EIOPA Public event on Personal Pensions.

## FIRST PANEL – THE FUTURE OF PERSONAL PENSIONS PLANS IN EUROPE

*Moderator: Justin Wray, Head of Policy Unit, EIOPA*  
*Speakers: Gabriel Bernardino, EIOPA Chairperson; Jung Lichtenberger, Team leader Pensions, DG Internal Market and Services; Matti Leppälä, Secretary General/CEO, PensionsEurope; Michaela Koller, Director General, Insurance Europe, and Peter De Proft, Director General, European Fund and Asset Management Association – EFAMA*

The opening session of the event focused on strategic considerations regarding the future of pensions and more specifically personal pensions in Europe. The COM representative opened the floor with key considerations as to current and future plans of the EU COM for further enhancing the EU framework for pensions. While the recently published IORPII proposal is already under discussion with Council presidency, the work on personal pensions is still to be initiated by way of a Call for Advice to EIOPA. At the time of the intervention, COM representative noted that it is expected EIOPA will be asked to provide technical input with regard to the following areas: relevant market for PPPs; governance of financial services providers offering PPP; information disclosure requirements for PPP holders; quantitative rules where none are in place; distribution rules; cross border activity aspects and product regulation considerations.

Pensions Europe CEO welcomed the remarks of COM and noted that the key to a successful

EU framework for pensions is diversity of retirement income sources and support for solutions that have already been proved successful for retirement provisions. Mr Lepalla also noted that occupational pensions are not products and as such need to be seen in full separation from the current discussion on PPPs. Mr Lepalla noted that PPP's can be a very important source of retirement income for those EU citizens that are not covered by an occupational pensions scheme like those that are self-employed.

Madame Michaela Koeller highlighted the need to diversify the sources of retirement income for future generations. The Director General of Insurance Europe noted that all discussions revolving around PPP products needs to start from their main purpose i.e. providing a retirement income i.e. any regulatory discussion around these products needs to take into consideration that these are not plain savings products but products subject to incentives and constrains, aimed solely at providing retirement income. As currently more than 90% of the PPP's offered EU wide are insurance products offered by undertakings soon to be subject to the Solvency II stringent requirements, Madame Koller underlined the need to need to avoid regulatory arbitrage among various PPP providers, especially in the area of capital requirements.

Peter De Proft, Director General, European Fund and Asset Management Association – EFAMA welcomed the EIOPA Preliminary Report to COM





and strongly encouraged EU regulators to initiate action towards development of the EU PPP market. The EFAMA and its members call for the establishment of an alternative to the existing MS arrangements for retirement income provision, an optional second regime where EIOPA would play a key role in safeguarding the interest of EU PPP holders. Mr de Proft underlined the importance of the upcoming COM Call for Advice to EIOPA in the area of personal pensions. In preparation for the work and discussions/consultations for developing this technical input to COM, also EFAMA is further developing the details for its proposed OCERP framework.

The panel discussions also focused on the following key issues: specificities of PPP potential role for in ensuring a decent retirement income for Europeans; PPP role in boosting Long term investments and merits/drawbacks of the concept of a single EU PPP product.

## **SECOND PANEL – ENHANCING PERSONAL PENSION PLAN HOLDERS PROTECTION – KEY AREAS OF FOCUS FOR DEVELOPING A WAY FORWARD**

*Moderator: Adrian O'Brien, Consumer Protection Team, EIOPA*

*Speakers: Julia Cillikova, National Bank of Slovakia, Guillaume Prache, Managing Director of Better Finance For All, Jan Sebo, Associate Professor, Matej Bel University, Hannie De Cloe-Vos, Authority for the Financial Markets – AFM, and Fod Barnes, Senior Adviser, Oxford Economic Research Associates Ltd*

The second panel discussion focused on consumer protection issues and benefitted from participants representing all key stakeholders for this discussion.

Mrs Cilikova presented the view of the national supervisory authorities and noted that consumer protection legislation needs to be seen as part of a bigger picture where financial mediation regulation and financial regulation also play a key role.

Mr Prache provided in-depth insight into the needs and priorities of future retirees / consumers.

Mr Prache noted that European savers therefore welcome the recently released EIOPA report on personal pensions requested by the Commission, and the upcoming call for advice on the same issue. The Managing Director of Better Finance For All also noted that is all the more important as pension savings will be more and more needed to supplement mandatory pension schemes which are struggling due to the ever increasing life expectancy, the high level of unemployment and the poor state of public finances in the EU. Mr Prache also undertook to present the 10 policy measures developed by Better Finance For All in order to tackle the current challenges pension systems across EU are facing.

While Mr Sebo advocated in favour of simple designs for PPP products, NL-AFM representative Ms Vos provided a unique insight into how behavioural economics can help policymakers choose the best regulatory options available for providing enhanced levels of consumer protection levels.

Mr Fod Barnes, OXERA Senior Adviser provided a highly insightful presentation as to long term saving/ investing which in fact covers all types of pensions arrangements. Starting from the overarching principle that long term saving needs to be paired with long term investment options so that at end of pension contributory period the "savings pot" is large enough to allow a sustainable provision of retirement income, Mr Barnes noted that in terms of consumer protection and information disclosure requirements, the key challenge regulators are facing is deciding the granularity of the information disclosure requirements for the consumers they are trying to protect. In the context of the behavioural economics approach, and the information needs of a "average consumer / aka Max", Mr Barnes provided a highly interesting insight as to how the investment decision can differ depending on the time horizon/frequency of information provided and on how regulatory intervention may influence investment decisions to move away from investing in the real economy.





### THIRD PANEL – MAIN DISCUSSION THEMES FOR EU WORK ON PERSONAL PENSIONS PLANS: TAXATION, PRODUCT STANDARDISATION, CONTRACT LAW

*Moderator: Peter Pénzeš, National Bank of Slovakia,  
Chair of EIOPA Task Force on Personal Pensions*

*Speakers: Dirk Staudenmayer, Head of Unit, DG for  
Justice; Ambrogio Rinaldi, Director, Supervisory Com-  
mission of Italian Pension Funds COVIP/OECD Work-  
ing Party on Private Pensions; Hans van Meerten  
and Pascal Borsjé, Clifford Chance LLP and Gerry  
Dietvorst, Competencecentre for Pension research,  
Tilburg University*

The Head of the OECD Working Party on Private Pensions and member of the EIOPA TFPP, Mr Ambrogio Rinadi gave a highly insightful presentation as to the main challenges and opportunities around establishing a European second regime for personal pensions. A well designed second regime could ensure a regulatory playing field across all financial sectors for PPP provision, help reinforce consumer protection, increase coverage /penetration of pension, develop economies of scale, facilitate cost reductions by decreasing distribution costs, increase cross border provision etc. Considerations were presented at the importance of having a certain level of standardisation in a second regime (benefits including cost reductions; increased product comparability; economies of scale) and potential for the second regime to become, in fact a benchmark for all the other “pension pillars” in terms of profitability of operations and sustainability.

The Clifford Chance LLP representatives shared their extensive experience in establishing cross border IORPs. furthermore, they noted that in order to promote mutual recognition and equal legal and (facilitated) tax treatment of plans originally established under the laws of another Member State, it might be an idea to develop a kind of ‘standard’ EU pension plan in which, in our view, it makes no difference at all whether the plan in question qualifies as “occupational” in the Second Pillar or “personal” in the Third Pillar

The speakers also put forward their arguments in favour of initiating a second regime, initially on the basis of a “communication” or a “recommendation” (i.e. “soft law”); since, in principle, a measure of this sort can be adopted more quickly by the EC (in collaboration with EIOPA), it could provide a further stimulus for the European pension market in the short term.

Rounding up the discussion regarding tax hurdles, professor Dietvorst reminded those attending that taxation is one of the key instruments available for a legislator to incentivise / deter development of a certain financial product or even market.

Dirk Staudenmayer, Head of Unit in COM DG Justice provided a highly insightful presentation of the work done by the COM Expert Group on European Insurance Law (tasked to carry out an analysis in order to assist the COM in examining whether differences in contract laws pose an obstacle to cross-border trade in insurance products). Mr Staudenmayer informed that the report finds that differences in contract laws impede the cross-border supply of insurance products by increasing costs, creating legal uncertainty and making it hard for consumers and businesses to take out insurance in other EU Member States. Furthermore, the main findings of the report on European Insurance Contract Law were:

- For many life, motor or liability insurance products sold to consumers, insurance companies have to adapt their contracts to the national rules where the policyholder is based. This means they have to develop new contracts to comply, for instance, with rules on pre-contractual information.
- The report finds that problems are less likely to occur in insurance for large risks markets if linked to a trade or certain insurances for bigger companies – such as in the area of transport insurance.

*Peter Pénzeš and Simona Murariu*