

Innovative Pan-European Personal Pension Product Could Address Needs of Modern, Mobile Workforce

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ICI Global Offers Support and Suggestions

London, 6 October 2015—ICI Global is backing the European Insurance and Occupational Pensions Authority (EIOPA) and European Commission's exploration of how to create a Pan-European Personal Pension product (PEPP). In its [response to EIOPA's consultation](#), ICI Global welcomed the PEPP as another potential innovation in Europe's pension saving effort, and offered comments on how EIOPA might successfully structure the product as another retirement savings option.

PEPP Offers Potential to Boost Pension Savings

"This is an ambitious idea with real potential for European citizens. A well-designed PEPP that can attract funds from across Europe could offer benefits beyond those offered by the national personal pension products," explains ICI Global Managing Director Dan Waters.

The potential additional benefits of PEPP include:

- Creating efficiencies in cost, management, and administration.
- Accommodating an increasingly mobile EU workforce.
- Contributing to the development of deeper, more liquid EU capital markets.
- Offering EU citizens further options for pension savings.

ICI Global's suggestions for structuring a PEPP focus on how to best design a voluntary product intended to supplement other pension savings programmes.

PEPP Design Must Respond to Pension Savers' Needs

The purpose of PEPP is to become an attractive additional savings vehicle that a consumer will choose to purchase to supplement public and occupational pensions. As retirement systems vary among Member States, providers will need flexibility to design products that accommodate this diverse group of consumers.

ICI Global cautioned EIOPA against creating too many mandatory features such as:

- Guarantees, which could increase costs and reduce investor returns.
- Fee caps on investment options, which could limit product offerings and potentially increase, rather than decrease, fees.
- Restrictions on the number of investment options offered in a PEPP, which could hinder consumer appeal.

ICI Global agreed that each PEPP could be required to offer a default (or core) fund that would use a life-cycle strategy with de-risking, and that the specific design of the life-cycle strategy should be left to investment providers.

Tax Issues Could Challenge Plan's Success

ICI Global contends that varying tax regimes between Member States will be one of the most significant obstacles to creating a successful PEPP. It urges EIOPA to foster a tax approach that would allow PEPPs to be competitive across the EU and that would facilitate the free movement of capital.

“We believe this is a critical issue for a successful PEPP,” said Waters, praising EIOPA for recognising the issue’s importance in the consultation.

ICI Global Comments Drawn on Global Experience

ICI Global has been studying pension systems worldwide and facilitating an ongoing international dialogue about the key challenges those systems face and the innovative solutions countries are implementing to meet them. One of the key ways ICI Global has done this is through high-level conferences in Hong Kong, Geneva, Tokyo, and, most recently, in Paris, at an event that ICI Global co-hosted with the Organisation for Economic Co-operation and Development and the International Organisation of Pensions Supervisors.

ICI Global’s comments are [linked here](#).

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