

MEMO# 29890

May 5, 2016

ICI Global Responds to EIOPA Consultation on Personal Pensions

[29890]

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TO: ICI GLOBAL CAPITAL MARKETS UNION TASK FORCE
ICI GLOBAL REGULATED FUNDS COMMITTEE No. 30-16
ICI GLOBAL RETIREMENT SAVINGS COMMITTEE
INTERNATIONAL COMMITTEE No. 26-16 RE: ICI GLOBAL RESPONDS TO EIOPA
CONSULTATION ON PERSONAL PENSIONS

On 26 April, ICI Global filed a response [\[1\]](#) to EIOPA's newest consultation on the development of an EU Single Market for personal pension products ("February Consultation"). [\[2\]](#)

The February Consultation included:

- EIOPA's final advice on the development of pan-European personal pension products (PEPPs) in response to the European Commission's Call for Advice [\[3\]](#); and
- New consultation on whether and how the EIOPA recommendations for PEPPs should apply to national personal pension products (PPPs) in general.

Separately from the February Consultation, EIOPA recently released a 700+ page report [\[4\]](#), which describes how EIOPA arrived at the conclusions expressed in the February consultation's final advice section (and includes the commentary on the individual comments it received on the 2015 consultation [\[5\]](#) (including from ICI Global).

ICI Global Response to the EIOPA February Consultation

As with our prior letters, this submission expressed support for the PEPP development at the European level, reiterating comments we made in response to the EIOPA 2015 consultation on the PEPP creation and to the survey on the PEPP's attractiveness to providers and consumers. [\[6\]](#) In this response, we concurred that the introduction of a voluntary 2nd regime for PEPPs is the only workable option for creating, within a foreseeable time frame, an EU Single Market for personal pension products. Thus, ICI Global urged EIOPA and the Commission to make the PEPP work a priority rather than attempting to harmonise national pension products, which are subject to highly divergent rules of Member States.

We also agreed with EIOPA's recommendation that a PEPP should have a set of standardised features, with a number of permissible flexible options that could be added. This semi-standardised approach struck the right balance between the benefits offered by standardisation (simplicity for the consumer and cost efficiency gains for the provider) with the flexibility needed to accommodate product innovation, diverse consumer needs, and Member States' specificities.

We also supported the elements recommended by EIOPA for standardisation, including disclosure and a default "core" investment option. We agreed that the PRIIPs KID could be a good starting point for a disclosure approach, although some adjustments may be required. As we suggested in our earlier input, a life-cycling strategy with de-risking could serve as an appropriate PEPP default. We welcomed EIOPA's recognition that guarantees and fee caps should not be required, but could be permitted.

In this response, we also presented a new idea on how tax hurdles could be addressed without requiring tax harmonisation. In our meetings with the EU policymakers, we noted that standardised IRA reporting in the United States accommodates different state tax rules. Thus, in our letter, we recommended that EIOPA and the Commission consider standardised tax reporting to Member States' tax authorities and to retirement savers of contributions to, investment return on, and withdrawals from PEPPs. This reporting, we posited, would help achieve EIOPA's objective of allowing PEPPs and PPPs to be offered to individual Member States' tax residents on a non-discriminatory basis.

Next Steps

It appears that any next action on PEPPs will come from the Commission. EIOPA also intends to publish final advice on the development of a single market for national PPPs as a follow up to the PPP part of the February consultation.

Anna Driggs
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endnotes

[1] ICI Global response is posted at https://www.iciglobal.org/pdf/16_icig_eiopa_pepp_consultation_ltr.pdf.

[2] The EIOPA February Consultation is available at <https://eiopa.europa.eu/Publications/Consultations/CP-16-001%20EIOPA%20Personal%20pensions.pdf>.

[3] The Commission's Call for Advice is available at http://ec.europa.eu/finance/pensions/docs/calls/20140723-call_en.pdf.

[4] EIOPA's Final Report is available at <https://eiopa.europa.eu/Publications/Reports/EIOPA-16-341-Final-Report-PEPP-fin.pdf>.

[5] See [Memorandum](#) to ICI Global Regulated Funds Committee, ICI Global Retirement Savings Committee, and ICI Global Capital Markets Union Task Force [29227], dated 5 August 2015.

[6] Our responses to the EIOPA's 2015 consultation on the PEPP creation and to the survey on the PEPP's attractiveness are available, respectively, at https://www.iciglobal.org/pdf/15_icig_eiopa_pepp_consultation_ltr.pdf and https://www.iciglobal.org/pdf/15_icig_eiopa_pepp_survey.pdf.

For respective memos, see [Memorandum](#) to ICI Global Regulated Funds Committee No. 63-15, ICI Global Retirement Savings Committee, and ICI Global Capital Markets Union Task Force [29411], dated 7 October 2015; and [Memorandum](#) to ICI Global Regulated Funds Committee No. 9-16, ICI Global Retirement Savings Committee, International Committee No. 9-16, and ICI Global Capital Markets Union Task Force [29674], dated 28 January 2016.

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