

MEMO# 31362

August 30, 2018

Member Call on a Pan-European Personal Pension Product - 7 September, 15:00 (UK)

[31362]

August 30, 2018 TO: ICI Global EU Capital Markets Union Task Force
ICI Global Regulated Funds Committee
ICI Global Retirement Savings Committee
Pension Committee
Pension Operations Advisory Committee RE: Member Call on a Pan-European Personal Pension Product - 7 September, 15:00 (UK)

We are organising a call on a pan-European Personal Pension (PEPP) proposal^[1] to review our advocacy strategy. With the Council's PEPP draft published in June and the PEPP's legislative process scheduled to restart next week with a vote in the European Parliament's Committee on Economic and Monetary Affairs (ECON), we want to hear if your position on the proposal or any of its parts has changed.

To register for the call, please email Anna Driggs at adriggs@ici.org. Details on the PEPP legislative status and our advocacy focus to-date are below the call information.

Call Date/Time: 7 September 2018, 15:00 UK (10 a.m. EST)

Call Numbers:

UK Toll Free: 0808-238-6019

USA: 866-692-3582 Other countries (e.g., Belgium): + 1-517-466-2232

Pass code: 2373925

PEPP Legislative Status

European Commission European Council European Parliament Published proposal on 29 June 2017^[2] Reached agreement on a general approach; ready for negotiation on 19 June 2018^[3] Vote in ECON on tabled amendments scheduled for 3 September; Rapporteur published draft report February 2018^[4]

Ongoing Advocacy -- Key Issues

The Commission's proposal covers numerous issues relevant to creating a framework for a

new pension product – from the authorisation regime to cross-border distribution, advice and disclosure requirements, and investment rules.^[5] The overall proposal has been viewed as “ambitious” by all stakeholders from the beginning, with many issues being hotly debated throughout the legislative process.

Based on members’ input, our advocacy has purposefully focused on two issues of significance to our industry:

- Mandatory capital guarantee requirement for a mandatory “default” investment option (option for consumers who do not provide investment instructions for their PEPP account). We opposed the guarantee mandate and argued for flexibility regarding a default investment option, so that the law would allow a provider to decide whether to offer a guarantee.
- Mandatory PEPP portability between all EU member states within 3 years. We opposed the three-year timeline as not feasible and advocated for a cross-border portability requirement that is feasible for providers.

The Council’s draft reflects some movement on both issues.

On the default investment, the Council would allow a product with a capital guarantee or a product that has “an investment strategy directed at ensuring the capital protection of the saver, on the basis of a risk-mitigation technique.” (Council’s draft, Article 37). Risk-definition techniques would need to “ensure that the investment strategy for the PEPP is designed so as to build up a stable and adequate individual future retirement income from the PEPP.” (Article 39) EIOPA would be tasked with developing technical standards for the risk-mitigation techniques.

On portability, Council would not prescribe a timeframe for full portability. Rather, the draft focuses on mandating clear disclosure by a PEPP provider regarding members states where it can offer PEPP accounts.

We understand that discussions in the Parliament have been difficult, including on these two issues. If the ECON vote proceeds as scheduled on 3 September, we should know more about the agreed language by the time of our call.

New Issue - Potential Requirement for Partial Annuitisation at Retirement

The ECON’s Rapporteur’s draft language would require a PEPP to distribute “a minimum of 35% of out-payments in the form of annuities” at decumulation.^[6] (Rapporteur’s Draft, Article 52(2)). This is a disappointing development as the drafts by the Commission and the Council did not have this mandate.

Proposed Discussion Items

We would like to discuss –

- whether our focus on the two original issues should continue,
- the Council’s language on the default investment,
- the Parliament’s likely inclusion of the partial annuitisation requirement into the PEPP requirements, and
- the scope of potential compromises you are comfortable with on the key issues.

We welcome any other additional comments on the substance of the PEPP proposal and our

strategy.

Anna Driggs
Associate Chief Counsel, Retirement Policy

endnotes

[1] The proposal is *available at* <http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:52017PC0343&from=EN>. See ICI [Memorandum No. 30793](#) to ICI Global EU Capital Markets Union Task Force, ICI Global Regulated Funds Committee, ICI Global Retirement Savings Committee, International Operations Advisory Committee, Pension Committee, and Pensions Operations Advisory Committee, dated July 21, 2017.

[2] See *id.*

[3] The Council's draft is *available at* <http://data.consilium.europa.eu/doc/document/ST-9975-2018-INIT/en/pdf>.

[4] Rapporteur's draft report (28 February 2018) is *available at* <http://www.europarl.europa.eu/sides/getDoc.do?pubRef=-%2F%2FEP%2F%2FNONGML%2BCOMPARL%2BPE-618.225%2B01%2BDOC%2BPDF%2BV0%2F%2FEN>. Tabled amendments are available on the ECON's web site, through the search function (Rapporteur Sophia in't Veld): <http://www.europarl.europa.eu/committees/en/econ/search-in-documents.html#sidesForm>

[5] See n.1 for the proposal's details.

[6] Rapporteur's draft report (28 February 2018) is *available at* <http://www.europarl.europa.eu/sides/getDoc.do?pubRef=-%2F%2FEP%2F%2FNONGML%2BCOMPARL%2BPE-618.225%2B01%2BDOC%2BPDF%2BV0%2F%2FEN>. Tabled amendments are available on the ECON's web site, through the search function (Rapporteur Sophia in't Veld): <http://www.europarl.europa.eu/committees/en/econ/search-in-documents.html#sidesForm>.