Finance Watch response to the European Commission's Public Consultation on a Potential EU Personal Pensions Framework

Brussels, 31 October 2016

Finance Watch is an independent, non-profit public interest association dedicated to making finance work for society. It was created in June 2011 to be a citizen's counterweight to the lobbying of the financial industry and conducts technical and policy advocacy in favour of financial regulations that will make finance serve society.

Its 70+ civil society members from around Europe include consumer groups, trade unions, housing associations, financial experts, foundations, think tanks, environmental and other NGOs. To see a full list of members, please visit www.finance-watch.org.

Finance Watch was founded on the following principles: finance is essential for society and should serve the economy, it should not be conducted to the detriment of society, capital should be brought to productive use, the transfer of credit risk to society is unacceptable, and markets should be fair and transparent.

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For further questions, please contact Christian M. Stiefmueller, senior policy analyst at Finance Watch, at christian.stiefmueller@finance-watch.org

FinanceWatch–AISBL|Rued'Arlon92,B-1040Brussels|www.finance-watch.org
Tel:+32(0)28800430| Fax:+32(0)2888 63 80 | office.manager@finance-watch.org

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2. Your opinion

B3. Questions for stakeholders in a professional capacity – for providers, potential providers, stakeholder representatives, public authorities regulating personal pensions, academics etc.

Please justify your choice(s) - where possible please provide reference to any evidence, data, reports or studies.

Section 2: Challenges and key features

A. On the challenges to personal pension development in the EU

At present, the EU personal pensions market does not seem to be reaching its full potential, both in terms of the products supplied and the level of demand from potential investors. There is evidence that personal pensions markets remain fragmented along national borders, are dominated by a limited number of national providers, and national tax requirements limit the possibility to purchase personal pension products from another Member State. As a consequence, cross-border provision of these services is limited. Competition is imperfect, restricting investors from enjoying the benefits of more innovative and efficient personal pension products.

Encouraging the provision of third pillar personal pensions by a wider range of financial institutions would foster more competition and could offer more choice with more attractive prices to consumers. Provided the above-mentioned challenges are overcome, the uptake of personal pensions would increase with more coverage among policyholders. Consumers could benefit from simpler, more innovative and more efficient personal pensions to complement their retirement income.

***1. Do you offer personal pension products to consumers?**

X	No, we do not offer personal pension products
	Yes , in one Member State
	Yes, in more than one Member State

2. What are the issues which limit the development of personal pensions in your Member State?

(Please specify your answer below in maximum 500 characters. You may reply to one or several categories)

a. National legal requirements (e.g. prudential rules governing providers, administrative rules, tax regime for personal retirement saving, non-tax legal requirements, etc.)

FinanceWatch–AISBL|Rued'Arlon92,B-1040Brussels|www.finance-watch.org
Tel:+32(0)28800430| Fax:+32(0)2888 63 80 | office.manager@finance-watch.org

b. Barriers to entry for providers (e.g. costs are too high to enter the market, competition is not strong enough on the market, the current low interest rates disincentivise providers to offer long-term products, etc.)

c. Insufficient demand from individuals for personal pensions (e.g. lack of information about pension savings, low level of individuals' financial literacy, lack of interest in pension savings, insufficient income for pensions savings purposes)

There is ample evidence that demand varies significantly between Member States. In many instances reliance on Pillar 1 pensions continues to limit the uptake of personal pension plans. Other limiting factors are a) the availability of surplus income, b) financial literacy among citizens and c) the attractiveness of products on offer. Independent research and Commission analysis indicates that returns on pension funds are poor in many Member States and trust in pension providers accordingly low.

d. Insufficient public policy incentives to stimulate saving in personal pension products

e. Any other limitation

3. What are the issues which limit the development of personal pensions across borders?

(Please specify your answer below in maximum 500 characters. You may reply to one or several categories)

a. Varying national legal requirements (e.g. complexity of national legal frameworks, differing national tax requirements, difference in conduct of business rules, etc.)

Differences in the taxation of retirement savings are one of the primary issues that have so far prevented the development of an integrated pan-European market for personal pensions. Finance Watch is fully aware that taxation continues to be a national prerogative: we note, however, that a truly integrated and competitive market for retirement savings is unlikely to emerge as long as material divergences in taxation persist among Member States.

FinanceWatch–AISBL|Rued'Arlon92,B-1040Brussels|www.finance-watch.org
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b. Challenges for providers to operate cross-border (e.g. high set up costs, high operating costs in another Member State, language issues, unfamiliar customer base, branding issues, local dominant distribution channels, presence of conflicts of interest in the distribution channels, etc.)

In some Member States with well-developed personal pension industries incumbent national providers have a significant level of control of distribution channels. This applies, in particular, for traditional channels, i.e. those involving captive branch networks or independent intermediaries.

c. Insufficient demand from individuals for cross-border pensions (e.g. uncertainties about cross-border providers, perception that a cross-border pension would only be relevant in case of mobility, etc.)

d. Any other limitation

We note that there is a general bias in many Member States in favour of deploying retirement savings domestically, Portability and cross-border provision and management of personal pensions are therefore more or less explicitly discouraged. While this bias is understandable politically is does not necessarily ensure the most effective allocation of capital or contribute to the integration of European capital markets and/or labour mobility.

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B. What should be the key features of an EU personal pension framework?

As outlined in the 2014 EIOPA preliminary report[1], personal pension savings are expected to be a successful alternative source of retirement income and provide for replacement rates in the future but only in so far as those savings are safe in the sense of trustworthiness, cost effectiveness and transparency. They should also be sufficiently flexible to cater for a European labour market where workers' mobility is increasing.

Furthermore, the 2016 EIOPA technical advice[2] to the EU Commission outlined that objectives for personal pensions determine and affect to some extent the required product characteristics:

Safe products imply the need for addressing conflicts of interests and information asymmetries between providers and savers. Conflicts of interests need to be addressed and incentives need to be aligned to facilitate optimised results for consumers. The main tools for ensuring safety could include authorisation and governance requirements and also cover controls and limits on product design and characteristics. Those product limitations could entail investment limitations or the inclusion of guarantees on capital or returns.

Transparent products: As long-term saving products are often perceived as being complex, relevant information on those products needs to be provided to consumers to enable them to make well-informed decisions about taking up and maintaining long-term savings. The nature, frequency of disclosure and presentation of information contributes to the overall transparency of these products. There are several recent examples in EU financial services legislation about information disclosure requirements, such as in the Regulation on Key Information Documents for Packaged Retail and Insurance-based Investment Products (PRIIPs)[3], in the Markets in Financial Instruments Directive (MiFID II)[4] and in the Insurance Distribution Directive (IDD)[5] which could serve as a basis for establishing the appropriate disclosure requirements for personal pension products.

Cost-effective products: building a stronger market for personal pensions could provide efficiency gains for providers through standardisation, enabling economies of scale and allowing for improved risk diversification. This can help reducing administrative costs arising from distribution, information and manufacturing, and lower the asset management costs by increasing the size of the asset portfolio under management. According to EIOPA, such efficiency gains could be offered by a well-functioning Single Market for personal pension products, without obstacles to cross-border activities, facilitating healthy competition and financial innovation. Online distribution is often seen as a relevant alternative distribution channel that can help reduce those costs.

Building on the essential features of an EU personal pension framework as outlined above through the EIOPA technical advice, an EU personal pension framework should be

[1] EIOPA: Towards an EU single market for personal pensions: An EIOPA Preliminary Report to COM, 2014

[2] EIOPA's advice on the development of an EU Single Market for personal pension products (PPP's), ref.EIOPA-16/457, available at: https://eiopa.europa.eu/publications/submissions-to-the-ec

[3] Regulation (EU) No 1286/2014 of the European Parliament and of the Council on key information documents for packaged retail and insurance-based investment products (PRIIPs)

[4] Directive 2014/65/EU of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments and amending Directive 2002/92/EC and Directive 2011/61/EU

[5] Directive (EU) 2016/97 of the European Parliament and of the Council of 20 January 2016 on insurance distribution (recast)

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complemented by a number of areas which could be subject to enhanced standardisation in order to facilitate the cross-border provision of personal pensions and to offer appropriate consumer protection. These areas include investment rules, guarantees provided, portability of pensions, information requirements, rules on switching providers or products and the options for pay-out. In addition, the key features should not be looked at in isolation, but in the context of the tax regime on personal pensions, which is a key driver for the take-up of personal pensions.

This section is thus divided into key features first (B1), and secondly how they affect the tax regime applied to personal pensions (B2).

B1. Key features

INVESTMENT RULES

Many long-term retirement savings are reliant on investments (in capital markets or other areas) in order to grow. Personal pension products create the opportunity for savers to invest for the long-term, potentially maximising their retirement savings. The range of investment options is a key issue to address in this area to balance various risk profiles and respond to the needs and expectations of individuals in terms of investment strategy, given the various levels of financial literacy.

According to the 2016 EIOPA advice[6], savers tend to have difficulties to determine their own investment portfolio, are often overwhelmed by the choice of investments and strongly influenced by the way that choice is presented to them. Savers seem to prefer choosing a "standard" default investment option over complex options. Savers are not aware that their needs may change over the lifetime of the product and may not monitor, review or rebalance the asset allocation of their investment portfolio over time.

In the work conducted by EIOPA, the options for a personal pensions framework range from including a default investment option to be provided to savers with a very limited number of alternative options in order to steer individuals towards a standard option, towards an approach where more investment options would be provided to cater for individuals with different risk appetites. In this context, the first approach, namely a default investment option, could provide the benefit of simplicity, safety and a limited risk for the majority of savers. The other approach, namely alternative investment options, could provide flexibility to cater for the needs of savers with specific investment profiles, or with different risk return profiles.

EIOPA recommends in its technical advice a limited number of investment options to help limit information overload on consumers. Furthermore, EIOPA recommends a default or "core" investment option in case a product would incorporate more than one investment option in order to simplify decision-making for the majority via choice- and information architecture.

EIOPA also addresses the question whether there should be a guarantee to protect the individual saver, and/or a life-cycle strategy with de-risking when approaching retirement. A life-cycling strategy with de-risking (LCS) is an approach that ensures that savers do not have to make investment decisions during the lifetime of their personal pension product.

EIOPA recommends a de-risking strategy for at least the default investment option unless all investment options contain a guarantee. The de-risking strategy should aim to maximise

[6] EIOPA's advice on the development of an EU Single Market for personal pension products (PPP's), ref.EIOPA-16/457, available at: https://eiopa.europa.eu/publications/submissions-to-the-ec

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returns at defined risk levels for that investment option. These conditions would seek to mitigate potential issues of individuals' loss and regret aversion.

***4. Should there be a default investment option in a personal pension product which would provide simplicity and safety catering for the needs of a majority of personal pension savers?**

X	***Yes***
	No

***5. Which type of protection should be attached to the default investment option ensuring simplicity and safety for investors in personal pensions?**

	Guarantee on capital
	Guarantee on returns
	No need for a guarantee
X	Other (please specify)

Pension savers should be given a capital preservation guarantee in real terms, i.e. returns should at least compensate for inflation during the accumulation phase.

*6. Should the number of alternative investment options be limited?

X	Yes
	No

FinanceWatch–AISBL|Rued'Arlon92,B-1040Brussels|www.finance-watch.org
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PORTABILITY OF PERSONAL PENSIONS

Personal pensions are typically long-term products as their focus is on retirement. During their lifetime, investors' preferences and needs could change, and they may move between Member States for multiple reasons (employment, settling for retirement etc.).

Following changes in individuals' preferences and/or personal circumstances, the question of portability of pensions arises, within the same country or across borders. Portability would allow for the recognition and transfer of pension contributions across providers and across Member States.

A portability feature of personal pensions across the EU should make personal pensions a more attractive option for mobile workers than they are offered at present through allowing them to keep their pension contributions together and therefore enjoy higher benefits in retirement.

In addition, if personal pensions were portable, providers of personal pensions could scale up their activities in a more integrated EU market, and thus offer products across borders to savers in less mature personal pension markets.

7. Should a personal pension product be portable?

(Please tick the appropriate field, only one choice is allowed per category of reply)

	Not at all important	Rather unimportant	Fairly important	Very important	No opinion
Across Member States				X	
Within the same Member State			X		
Both within the same Member State and across Member States			X		

8. What are the main barriers for portability of existing personal pension products?

A lack of product standardisation and uncertainty about taxation.

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Tel:+32(0)28800430| Fax:+32(0)2888 63 80 | office.manager@finance-watch.org

INFORMATION TO POLICYHOLDERS

In order to determine which personal pension products best fit their needs, individuals should be appropriately informed of the key features of such products, in particular in view of the products' long-term nature and inherent complexity. There are several recent examples in EU financial services legislation about information disclosure requirements, such as in the Regulation on Key Information Documents for Packaged Retail and Insurance-based Investment Products[7] (PRIIPs), Markets in Financial Instruments Directive[8] (MiFID II) and Insurance Distribution Directive[9] (IDD). PRIIPs introduces a Key Information Document (KID – a simple document giving key facts to retail investors in a clear and understandable manner) covering not only collective investment schemes but also other 'packaged' investment products offered by banks or insurance companies.

In the work conducted so far on the key elements of information to be disclosed, the options for personal pensions range from using existing models such as the KID in PRIIPs as a basis with some adaptations, to designing a more specific set of information requirements tailored to the specific nature of personal pensions.

The EIOPA technical advice recommends using the existing rules based on the idea of the PRIIPs KID as a starting point for disclosure requirements for personal pensions. However, EIOPA recommends adjusting the PRIIPs KID to allow for the specificities of personal pensions to be accommodated. This could for example include information related to the choices to be made by savers or options provided by national law and options provided by the provider on reaching retirement.

According to EIOPA it is important to project and estimate how investments (typically including periodic contributions) and the related returns accumulate over a potentially very long time period, and what that could mean in terms of a retirement income. Therefore, projections could also be a feature of the disclosure requirements.

A distinction should also be made between information provided before subscribing to a product (pre-contractual information) and information provided to savers during the product lifetime.

[7] Regulation (EU) No 1286/2014 of the European Parliament and of the Council on key information documents for packaged retail and insurance-based investment products (PRIIPs)

[8] Directive 2014/65/EU of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments and amending Directive 2002/92/EC and Directive 2011/61/EU

[9] Directive (EU) 2016/97 of the European Parliament and of the Council of 20 January 2016 on insurance distribution (recast)

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9. The PRIIPs Key Information Document (KID) provides an example of pre-contractual information disclosure. Should the KID be used for the purposes of personal pensions disclosures? Alternatively, which KID elements could be directly used for disclosures regarding a potential EU personal pension and what are the elements that should be adapted (e.g. to take into account the long-term nature of the investment)?

We believe that the formats that have been introduced, or are being proposed, for PRIIPs and UCITS could be an appropriate starting point. In the interest of improving comparability, both within and between product categories, and fostering consumers' understanding of retail financial products more generally information documents should be further harmonised across product categories.

10. What information, in your opinion, is most relevant to individual savers before signing up to a product?

(Please tick the appropriate field, only one choice is allowed per category of reply)

	Not at all important	Rather unimportant	Fairly important	Very important	No opinion
Available investment options				***X***	
Different types of fees				***X***	
Level of fees disclosed annually			***X***		
The rate of return over the last two years				***X***	
Level of protection provided			***X***		
Information provided in a standardised format (similarly to the PRIIPs KID)				***X***	
The tax regime for contributions, returns and pay-outs				***X***	

Is there any other information that would be of importance for savers before signing up to a product?

To the extent that the product uses profit-sharing / smoothing the underlying mechanism, including asset allocation, pay-out and retention policies, should be explained in layman's language. In addition, non-financial items, such as information on environmental, social and governance (ESG) impact, should be included.

FinanceWatch–AISBL|Rued'Arlon92,B-1040Brussels|www.finance-watch.org
Tel:+32(0)28800430| Fax:+32(0)2888 63 80 | office.manager@finance-watch.org

11. What information, in your opinion, is most relevant to individual savers during the lifetime of the product?

(Please tick the appropriate field, only one choice is allowed per category of reply)

	Not at all important	Rather unimportant	Fairly important	Very important	No opinion
Current investment options			*X*		
Available investment options				*X*	
Level of fees			*X*		
The rate of return				*X*	
Level of protection provided			*X*		
Accumulated benefits				*X*	
Expected benefits at retirement				*X*	
Tax treatment of savings				*X*	

Any other information that would be of importance for savers during the product lifetime?

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DISTRIBUTION

As personal pension products are often considered complex and information asymmetries between providers and savers subsist, distributors play an important role. Distributors, and in particular the advice they could provide, could have a very significant impact on the development of a sound personal pensions market, reduce the asymmetry of information and ultimately serve the interests of consumers. Distributors can assist consumers in assessing personal pension products before they make a purchase and help identify which product best meets their needs. They can provide advice to those with more complex needs or those who are less financially literate. Distributors can also play a role during the lifetime of a personal pension product, assisting consumers in assessing their retirement provisions over time and helping trigger changes in consumers' allocation of resources within a personal pension product, or switching investment option over time, especially in the run-up to retirement.

Currently, personal pension products tend to be distributed face-to-face and through branches, which may or may not be accompanied by advice. However, technological developments may change the way personal pension products are distributed and how advice is provided. The choice and/or variety of distribution channels is a key factor in determining the success of a personal pension framework.

In the work conducted so far by EIOPA on this key feature (i.e. distribution aspects), the options range from encouraging physical sales in parallel to adapting key features so that personal pensions can easily be sold online. EIOPA recommends that at least for the default option, distribution without advice via the internet should be permitted in the case of non-complex personal pension products, easy for customers to access and understand. The question of advice, and it being compulsory or not, remains a question in the case of more complex investment options and potentially higher risks for savers.

During the product's lifetime, EIOPA recommends that the distributor should monitor and review the product in the context of the saver's needs and future plans. For known trigger events, for example when the saver is nearing retirement, the distributor should inform the saver about the upcoming event, and provide all relevant information in order to enable the individual to choose the best option for his / her retirement.

12. As a provider, which types of distribution channels would you favour in order to maximise the benefits and efficiency gains of a Single Market for personal pensions (e.g. online/face-to-face, directly/via agents)?

The overriding priority should be to make personal pensions simple and accessible. Nevertheless, advice and assistance must be made available especially for consumers who are less financially literate. If consumers increasingly purchase financial services online it will become even more important that they thoroughly review, and take note of product specifications and providers' terms & conditions. Tools such as the comprehension alert in PRIIPs could be useful in this regard.

13. Would you consider that advice should be mandatory for the provision of personal pensions?

Advice on PEPPs should not be made mandatory but should be made available on demand. Any fee-based advice should be remunerated by flat fees only.

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SWITCHING BETWEEN PRODUCTS OR PROVIDERS

For personal pension products which are by nature very long-term products, it is necessary to offer consumers the flexibility to switch between products as well as providers. Switching allows investors a choice between products and providers, and could be a means to encourage competition and keep levels of fees under control. Being locked into in a product or with a provider for a long time, especially until reaching retirement age, regardless of whether the performance of the product is satisfactory or not, could be highly detrimental to the individual.

However, this needs to be weighed against the benefits provided by long-term investment, which requires that funds be made available over extended periods. In line with the idea of long-term saving and of creating a Capital Markets Union, personal pensions should help generate funding for long-term illiquid investments (for example infrastructure or unlisted SME equities). This objective could be undermined if consumers shifted providers constantly, leading to short term liabilities and forcing providers to invest in more liquid assets. Consequently, a balance should be struck between allowing savers to switch providers and ensuring that providers can invest in long-term illiquid assets.

In the work conducted so far by EIOPA on this key feature, namely switching, the options range from allowing very limited switching possibilities over time to preserve the long-term investment, to fostering competition by allowing savers to switch more often their personal pension across providers. EIOPA recommends that switching providers should be possible but under some limitations such as minimum holding periods. Switching costs should also be fair and transparent. EIOPA favours transparent and clearly allocated costs of switching over free charge switching whereby costs might be hidden elsewhere.

In this context switching refers to changing personal pension products across providers within a Member State; it is not intended to provide for switching outside the personal pensions environment.

***14. Under what conditions should it be possible to switch personal pension providers?**

	Switching should be without conditions
	Switching should be subject to a fee
X	Switching should be only possible after a minimum period of time and be allowed only a limited number of times
	Switching should not be possible

Please explain: (optional)

Consumers should, as a matter of principle, retain a maximum of control over their savings and should have the possibility to switch between providers without being penalised by fees or taxes. Some restrictions to switching (e.g. minimum holding and/or notice periods) are justifiable, however, in order to ensure that capital can be allocated for long-term investments and to protect against the effects of short-term volatility in the capital markets

PAYOUT (DECUMULATION)

FinanceWatch–AISBL|Rued'Arlon92,B-1040Brussels|www.finance-watch.org
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Decumulation, or pay-out, starts at the legal age of retirement or when the policyholder chooses to retire.

Different pay-out options should allow policyholders to choose the most appropriate decumulation option for them. In the work conducted by EIOPA on this key feature, the options range from allowing any type of pay-out, bearing in mind that a personal pension is typically supplementing the main source of pension revenue, to recommending one or several preferred pay-out options, notably in order to maximise consumer protection.

In its technical advice, EIOPA does not recommend standardising the decumulation phase of personal pension products. It considers that more work should be done to determine the advantages and disadvantages of the distinct pay-out options.

***15. Which forms of pay-out should be favoured?**

(Please provide an explanation of your choice)

	lump sum
	life time annuities
	temporary annuities (limited in time)
	individuals' choice
	any other
X	there should be flexibility on pay-out

Please explain: (optional)

The concept of an annuity pay-out is consistent with the concept of PEPP as a retirement savings tool to provide supplementary pension income. There is an argument, however, to give customers a certain level of flexibility, primarily to choose between life-time and temporary annuity options, whereas lump-sum pay-outs should be discouraged. We recommend conducting further tests with consumers to better assess their preferences.

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16. Overall, in your opinion, what factors would encourage competition to offer high quality, affordable personal pension products?

(Please tick the appropriate field, only one choice is allowed per category of reply)

	Not at all important	Rather unimportant	Fairly important	Very important	No opinion
Level of fees and returns				***X***	
Transparency on fees and costs				***X***	
Type of investment policy (active vs passive)		***X***			
Ease of distribution			***X***		
Consumer awareness of the availability of retirement products			***X***		
A benchmark to assess the product's performance, safety and simplicity				***X***	
Tax and other financial incentives to personal pension savings		***X***			

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B2. Effect of key features on the tax regime of personal pensions

Personal pensions are vehicles which may benefit from national tax incentives under the form of tax relief at different stages of the life of the product. National tax rules may constitute an obstacle to the development of a single market for personal pensions given the complexity and variety of tax regimes applicable in Member States. Increased complexity could create additional administration costs for personal pension products and might reduce incentives for suppliers to operate across borders.

At the same time, taxation is a key factor that determines the success of a framework for personal pensions because tax incentives play an important role in the decision to subscribe to personal pensions savings. Generally, a deferred taxation model is applied to personal pension products; contributions are deducted from an individual's taxable income and pensions are taxed within the framework of income tax or, in many instances at a favourable rate. In most Member States the investment results are tax exempt. However, the taxation rates and regimes vary widely between Member States.

While it is not envisaged to harmonise tax requirements for personal pensions, national tax incentives remain very important for the uptake of personal pensions in the framework of a potential EU initiative.

17. In your experience, to what extent are tax incentives important for the uptake of personal pension products by savers?

Please explain:

Precedents in several Member States appear to indicate that tax incentives may be useful to encourage take-up initially but will not compensate for poor performance of the product over time. Taxation should not be used as a lever to distort cross-border competition and create cross-subsidisation at the national level. Against the background of the last financial crisis and the resultant general public scepticism towards the financial sector consumers are placing particular emphasis on safety and predictability.

***18. If you are a provider offering personal pension products in other Member States, how do you accommodate differing national tax regimes?**

- We operate through branches or subsidiaries
- We operate directly across the border without branches or subsidiaries
- Other

C. On the benefits of potential EU action on personal pensions

A true EU market for personal pensions could create a number of benefits and contribute to growth and investment within a Capital Markets Union. For investors, this should ensure delivery of affordable personal pensions through better prices at the point of sale, good returns and a wider range of providers due to increased competition. Furthermore, products could be more transparent, easier to understand and also safer, if there were some minimum standards, which should lead to increase consumer confidence. It might also be easier to change providers or to transfer accumulated benefits when moving to another Member State. Providers could benefit from reduced complexity, facilitated cross-border activity, reduced administrative costs, and efficiencies could be created by pooling assets from a larger investor

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base. Providers would be able to provide similar products within a wide range of Member States.

19. In your opinion, what are the most significant benefits of providing personal pensions on an EU scale?

(Please tick the appropriate field, only one choice is allowed per category of reply)

	Not at all important	Rather unimportant	Fairly important	Very important	No opinion
Larger pools of assets due to a wider reach				*X*	
Opens up the market to other providers			*X*		
Improved asset allocation			*X*		
Product innovation			*X*		
Improved returns				*X*	
Lower operating costs				*X*	
Attractive to mobile customers				*X*	
Attractive to regular (non-mobile) customers			*X*		
Encourages a level playing field between providers				*X*	

Others? Please specify:

The new instrument should create a benchmark for simple and low-cost retirement savings products, make them accessible to hitherto underserved markets and provide cross-border portability to an increasingly mobile European citizenry. It could also encourage portfolio managers to demonstrate competitive performance against a broader set of benchmarks.

D. On the type of potential EU action

The previous sections on the key features of a personal pension framework and on the benefits of potential EU action focused on assessing the effects that an EU initiative would have on the personal pension market. The consultation now turns to views on how to best frame such an initiative, from self-regulatory approaches (cooperation among stakeholders) to more comprehensive EU intervention (harmonising at EU level the national personal pension regimes).

For each of the potential approaches, we invite respondents to detail how the chosen approach would address the problems identified in the first part of this consultation. These would address issues such as insufficient personal pension take up by individuals, insufficient cross-border provision, insufficient variety in personal pension providers, lack of efficiency of personal pensions on costs and returns, and insufficient innovation in personal pensions.

FinanceWatch–AISBL|Rued'Arlon92,B-1040Brussels|www.finance-watch.org
Tel:+32(0)28800430| Fax:+32(0)2888 63 80 | office.manager@finance-watch.org

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20. The EU could foster cooperation between stakeholders (Member States, providers, consumers) around a common approach to providing personal pension products. This would imply designing together with the national authorities, pension industry and consumers a series of recommendations which providers could follow when offering personal pensions.

Fostering cooperation among stakeholders would...

	not address this challenge at all	partly address this challenge	largely address this challenge	decisively address this challenge	No opinion
Enhance the take-up of personal pensions by consumers in the EU	*X*				
Enhance cross border offer of personal pension products by providers in the EU		*X*			
Widen the range of providers		*X*			
Enhance efficiency, asset allocation and returns when offering personal pension products	*X*				
Contribute to innovation within the personal pension product market		*X*			

Other (please specify):

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21. A European personal pension account could be established, similarly to the Individual Retirement Account (IRA) offered in the United States. An IRA is a personal savings plan that gives individuals tax advantages when saving for retirement. It encompasses different types of plans, depending on the income or employment status of an individual, their tax circumstances and the investment options they choose. There can be many different types of providers: an IRA can be opened with banks, credit unions, insurance companies, mutual fund companies and brokerage firms. Most IRA providers offer a broad variety of investment options, including stocks and bonds, money market funds and mutual funds.

Would such an approach address the challenges below?

A personal pension account would...

	not address this challenge at all	partly address this challenge	largely address this challenge	decisively address this challenge	No opinion
Enhance the take-up of personal pensions by consumers in the EU		***X***			
Enhance cross border offer of personal pension products by providers in the EU		***X***			
Widen the range of providers		***X***			
Enhance efficiency, asset allocation and returns when offering personal pension products	***X***				
Contribute to innovation within the personal pension product market		***X***			

Other (please specify):

22. A European personal pension product could be established on a voluntary basis, based on a set of common and flexible features, in order to provide pension income in retirement. Such features could include transparency and disclosure requirements, investment options, accumulation and decumulation options, distribution specificities, guarantees on the product, and fees and charges levied. The main difference between a personal pension account (described under question 36) and a personal pension product is that a personal pension account does not pre-define investment options. The role of tax advantages would be similar for the personal pension account and the personal pension product. This approach could take inspiration from the Undertakings for Collective Investment in Transferable Securities (UCITS), European Long Term Investment Funds (ELTIF), the EuVECA and EuSEF funds, the European company statute and the EIOPA advice on the development of a Pan-European Personal Pension Product.

A European personal pension product would...

	not address this challenge at all	partly address this challenge	largely address this challenge	decisively address this challenge	No opinion
Enhance the take-up of personal pensions by consumers in the EU		***X***			
Enhance cross border offer of personal pension products by providers in the EU		***X***			
Widen the range of providers		***X***			
Enhance efficiency, asset allocation and returns when offering personal pension products	***X***				
Contribute to innovation within the personal pension product market		***X***			

Other (please specify):

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23. The EU could consider harmonising national personal pension regimes, in particular on the aspects of prudential supervision, possible providers, maximum costs, disclosure requirements, distribution models etc. but excluding tax requirements. Would such an approach address the challenges below?

Harmonising national personal pension regimes would...

	not address this challenge at all	partly address this challenge	largely address this challenge	decisively address this challenge	No opinion
Enhance the take-up of personal pensions by consumers in the EU			*X*		
Enhance cross border offer of personal pension products by providers in the EU				*X*	
Contribute to a wider range of providers to offer personal pension products				*X*	
Contribute to enhancing the efficiency, asset allocation and returns when offering personal pension products			*X*		
Contribute to innovation within the personal pension product market			*X*		

Other (please specify):

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Tel:+32(0)28800430| Fax:+32(0)2888 63 80 | office.manager@finance-watch.org

24. Would you favour an alternative EU approach?

Please provide details.

Finance Watch welcomes the European Commission's initiative to promote the take-up of Pillar 3 retirement saving schemes across the EU. The introduction of PEPP as a "second regime" alongside Member States' existing PPP offerings is, in our view, a second-best option in the absence of a pan-European effort to harmonise national PPP regimes and improve Pillar 2 portability. We understand, however, that this may not be politically and/or practically feasible, at least in the near term. If successful, PEPP could serve as a useful instrument to encourage additional retirement savings, reduce market inefficiencies and pave the way for harmonisation on a wider scale.

We are mindful, however, that the proposed strengthening of Pillar 3 on its own will not remedy the overburdening of national budgets and the potentially precarious situation of future generations of retirees. To effectively address the challenges confronting our pension systems, notably an aging population and fundamental changes at the workplace, the proposed Pillar 3 measures need to be accompanied, in our view, by a more comprehensive review of the Pillar 1 pensions system which takes in related issues, such as social security.

We are aware that there is limited scope at present to address these wider issues at the European level as they fall predominantly within the competency of Member States. To return public finances across the EU to a healthy and sustainable position and to turn the promise of free movement of citizens and capital into reality it appears unavoidable, however, that EU Member States start co-operating in this domain in due course.

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