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| **Executive Summary Sheet** |
| Impact assessment on Commission proposal for a Regulation on a pan-European personal pension product |
| **A. Need for action** |
| **Why? What is the problem being addressed?** |
| Personal pensions are defined as "*retirement financial products contracted on a voluntary basis with a non-state entity. They have an explicit retirement objective, providing for capital accumulation until retirement and serve as a complementary income on retirement"*. They are complementary to state-based public pensions and occupational pensions.  In its Action Plan on Building a Capital Markets Union (CMU)[[1]](#footnote-2), the Commission observed that no effective single market for 'third pillar' personal pensions exists. A patchwork of rules at EU and national levels stands in the way of the full development of a large and competitive market for personal pensions.  Market fragmentation prevents personal pension providers from maximising economies of scale, risk diversification and innovation, thereby reducing choice and increasing cost for pension savers. In addition, existing personal pension products display in some cases insufficient product features. Many respondents in the public consultation view the supply of personal pension products currently available and sold in the EU as inadequate. This is supported by the 2015 European Commission scoreboard on retail investor markets, which shows that personal pension products are among the three products with the lowest satisfaction rating from retail investors. Finally, cross-border selling and portability of existing personal pensions are very limited.  Insufficient replacement incomes in retirement and lack of investment on EU capital markets could both be mitigated by greater development of personal pension products at EU level. |
| **What is this initiative expected to achieve?** |
| The general objective is to create a single market for personal pensions and contribute to the completion of the CMU. This main objective encompasses three specific objectives:  **1)** **Increase investment in the EU and contribute to completing the CMU** – Over a long term period, the creation of larger pools of pension savings channelling additional financing to productive long-term investments.  **2) Enhance features of personal pension products** – allowing for the creation of simple, transparent pan-European personal pension products.  **3)** **Enhance the cross-border provision and portability of personal pension products** – allowing for providers to increase economies of scale and improve efficiency and innovation, as well as improve opportunities for retail investors to take their personal pension with them when moving to another Member State. |
| **What is the value added of action at the EU level?** |
| The uncoordinated efforts of Member States cannot remedy the current patchwork of national regulations of personal pension products. EU-level action would substantially add value and address market fragmentation and help providers operate cross-border as it would allow them to centralise certain functions at an EU-level. For individuals, minimum product requirements laid down in EU rules would create transparency and simplicity as well as safety for retail investors, benefiting employed and self-employed workers, mobile or not. Only EU action can enhance portability and address the needs of the increasing number of mobile workers. |

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| **B. Solutions** |
| **What legislative and non-legislative policy options have been considered? Is there a preferred choice or not? Why?** |
| The impact assessment analyses the following three options:  1. Baseline scenario, whereby no EU policy action would be taken.  2. A Pan-European Personal Pension Product (PEPP), whereby a statute for a EU PEPP would be established, based on a set of common and flexible features through a voluntary complementary regime.  3. Harmonisation, whereby national personal pension regimes would be harmonised.  The preferred option is option 2. Indeed, under this option, the increased standardisation of the key product features would create opportunities for providers to build economies of scale, whilst some flexibility in the key features would be preserved so that providers can benefit as much as possible from national tax incentives. This would, over a longer period of a decade or more and under the assumption that the PEPP would receive the same tax incentives as national products, result in increased take-up of personal pensions, of investments by providers in the CMU context, and in facilitating cross-border development. Consumers would benefit from greater choice and adequate protection when saving for retirement. Such a statute would be cost-effective and politically feasible as it does not require existing personal products to adapt to a new regulatory environment and does not affect existing regimes. |
| **Who supports which option?** |
| Consumers and consumer associations are supportive to the creation of a simple, transparent personal pension product (option 2). Providers (insurers, pension funds, asset managers) demonstrated most support for option 2 in view of its potential to address market shortcomings. The technical advice of the European Insurance and Occupational Pensions Authority (EIOPA) also supported the creation of a PEPP. Providers consider harmonisation of national regimes as least effective. In a public consultation, Member States also strongly opposed harmonisation of national regimes (option 3). |
| **C. Impacts of the preferred option** |
| **What are the benefits of the preferred option (if any, otherwise main ones)?** |
| Under the preferred option, providers (including insurers, pension funds, investment firms, banks and asset managers), authorised under EU sectorial regimes, would be able to design Pan-European Personal Pension Products (PEPPs) based on a set of common features. For retail investors, the PEPP would provide an additional choice for complementary retirement savings. Mobile workers would benefit from improved portability. A study estimated the personal pension product market is expected to develop from the current level - estimated at around EUR0.7 trillion - to either EUR1.4 trillion (which corresponds to the baseline scenario) or EUR2.1 trillion (with the extra amount coming from the PEPP, on the hypothesis of tax advantages for the PEPP). The PEPP would then account for around a half of the potential increase of the total market, the other half coming from growth dynamics involving the currently sold national products. The increased take-up would, over a longer term, contribute to realising the CMU objective.  This initiative would have positive social impact, as an increase of take-up of personal pensions would enhance the number of people with adequate income in retirement. In particular, it would provide self-employed and mobile workers with a new means to save for retirement. |

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| **What are the costs of the preferred option (if any, otherwise main ones)?** |
| As the preferred option is a complementary regime in parallel to national rules, no negative economic, social or environmental impacts are expected. |
| **How will businesses, SMEs and micro-enterprises be affected?** |
| The initiative is expected to expand the range of providers: from predominantly insurers to include asset managers and specialised pension funds. Since providers such as asset managers are often SMEs they could be positively impacted, because new business opportunities would be created.  Furthermore, this initiative could have positive effects on SMEs by tapping additional private savings and channelling funds towards the economy and creating additional sources of finance that benefit SMEs. This initiative would also help self-employed persons to increase their options to save for retirement. |
| **Will there be significant impacts** **on national budgets and administrations?** |
| The PEPP would be a new product category provided by a wide range of providers which are subject to regulatory oversight by national competent authorities under existing regulatory frameworks. The monitoring of cross-border distribution of the PEPP could create some additional tasks for national competent authorities. The authorisation of individual PEPPs would be attributed to the European Insurance and Occupational Pensions Authority (EIOPA), requiring additional resources. Under the current co-financing arrangements, the funding will be included in the EU budget and will, as such, not go beyond what is foreseen in the current multi-annual financial framework running until 2020. Furthermore, the decision whether to grant favourable tax incentives to the PEPP remains at national level and any impact would depend on the take-up at national level. |
| **Will there be other significant impacts?** |
| There are no other significant impacts expected. |
| **D. Follow up** |
| **When will the policy be reviewed?** |
| The proposed statute should include a review after three years of application. The review should assess the take-up of personal pension products, the contribution to the CMU, the increase in cross-border provision and portability for retail investors. |

1. COM(2015) 468 final. [↑](#footnote-ref-2)