



Pan-European Personal Pension Products (PEPP)

■ Why does it matter to intermediaries?

The Regulation on a Pan-European Personal Pension Product (“PEPP”) deals with the registration, manufacturing, distribution and supervision of PEPP. It was adopted and published in the Official Journal of the EU in July 2019. It is directly applicable and started to apply on 22 March 2022. BIPAR and its member associations have been very active on this file all along the legislative process.

The PEPP is an optional, 2nd regime instrument, complementary to the existing state-based (pillar 1), occupational (pillar 2) and national personal pensions (pillar 3) and has standardised key product features.

PEPP can be distributed by **insurance intermediaries** offering insurance under IDD and **investment firms** providing advice under MiFID II. Some specific PEPP rules also apply to all kinds of distributors. All PEPP providers have to offer “Basic PEPPs”, which are “simple and affordable default investment options” that have to provide capital protection and where costs and fees shall not exceed 1 % of the accumulated capital per year (this includes (initial) advice costs).

The Regulation foresees mandatory advice (with a suitability test) and a demand and needs test for PEPP providers and **distributors**, for all PEPPs, including Basic PEPPs.

■ State of play

The evaluation of the PEPP Regulation was foreseen by 2027, but EIOPA and the European Commission have already started looking into the future of PEPP already. Various CMU and SIU-related reports also suggested looking into PEPP sooner rather than later.

EIOPA's Paper

On 11 September 2024, EIOPA published a “Staff Paper” entitled: **“A simple and long-term European savings product: the future Pan-European Pension Product”** taking stock of why PEPP has not lived up to its potential and proposing enhancements that could *“breathe new life into supplementary pensions across the EU”*.

- 1) EIOPA recognises that the current version of the PEPP saw limited success, hindered by structural – rather than circumstantial – factors, affecting both its supply and demand. Nevertheless, EIOPA is of the view that a revised version of the PEPP could be instrumental to an increase in retirement savings.
- 2) Regarding the **supply** side, EIOPA states that the costs and fees cap of 1% of the accumulated capital per year has been put forward as a reason for providers’ lack of interest. Some stakeholders also pointed to the implicit expenses of offering PEPPs. EIOPA does not find the PEPP’s cap to be particularly low in the long-term; however, in the short-term, it may limit providers’ ability to offer PEPP given initial expenses and lack of scale.

EIOPA recognises that the inherent expenses of offering PEPPs need to be recognised (including mandatory advice, the cost of guarantees, and the use of risk mitigation techniques involving complex investment strategies). Additionally, the PEPP requires specific administration, and the requirement for PEPP providers to offer national sub-accounts for at least 2 Member States from March 2025 may further exacerbate the situation. Finally considering exclusively the market for mobile workers diminishes the potential PEPP market and the higher costs of products considered “competitors” to PEPP (“cannibalisation”) may diminish its appeal to potential providers.

Regarding the **demand** side, EIOPA states that the low pension participation and awareness, including when considering retirement solutions other than the PEPP, as well as the current cost of living crisis are possible causes for low PEPP demand.

Regarding limited actions by **Member States**, EIOPA states that several Member States published their PEPP national provisions late, making it de facto impossible to sell PEPPs in those markets. The existence of heterogeneous tax regimes across the EU contributed to the PEPP’s limited success: the objective of having a 28th regime for taxation applicable to the PEPP was never achieved. In many Member States, the PEPP does not have the same tax treatment as other personal pension products (despite the Commission recommendation to do so).



- 3) EIOPA suggests various measures and considerations. To make the PEPP attractive to **providers**, the potential market must be significantly expanded, the design adjusted, and the product simplified for broader market applicability. This could be achieved through a combination of different measures such as:
- Combining occupational and personal PEPP in a single pension product, which may ensure scale and attract more providers;
 - Focusing the PEPP conversation on value for money: The overall approach to PEPP costs and fees could mirror the rationale behind EIOPA's work on value for money in the unit-linked market. Alternatively, if a fee cap were to be retained, differing from EIOPA's value for money approach, it should be introduced gradually;
 - Creating a PEPP label for national products, allowing each Member State to develop local PEPPs and market them domestically as PEPP-labelled products;
 - Reducing administrative burden, allowing PEPP providers to voluntarily offer national subaccounts for a given PEPP, rather than making it compulsory;
 - Ensuring PEPP's adoption, allowing the transfer of accumulated amounts from other personal pension products into the PEPP could help achieve mass adoption.

Possible **demand** side measures: aimed at tackling the overall low pension participation, rather than focusing on increasing the PEPP's appeal to consumers. Measures could be:

- Introducing auto-enrolment in the PEPP, for instance, by opening a PEPP for every EU citizen when they reach the age of 18 or entering the workforce;
- Leveraging pension tracking systems for PEPP adoption, the subsequent challenge is to encourage citizens to consult a Pension Tracking System, where available.

Possible **national and EU-wide measures** could be:

- Granting the PEPP the same tax treatment as national personal pension products: if the new PEPP also funds occupational pensions, it should receive the same tax treatment as other occupational pension products available in each market. An effective 'second regime' that exists side-by-side with national social and labour laws could be considered.
 - Implementing national or EU-wide pension dashboards, which would allow public authorities to identify emerging gaps and develop appropriate policy responses to address future pressures on public finances, risks of old age poverty, and pension gaps. EIOPA recognises that the project of an EU-wide pension dashboard or of pension dashboards at national level is ambitious (EIOPA already provided technical advice to the Commission on this topic in 2021).
- 4) EIOPA intends to make an impactful contribution to the evaluation of the PEPP Regulation by the European Commission. To do so, EIOPA will be carrying out diagnostic work by gathering inputs and views from stakeholders and develop specific proposals ahead of the evaluation.

Commission's Communication

The European Commission in its Communication on the SIU of 19 March 2025 included policy measures linked to pensions as well. It will issue by Q4 2025, recommendations on the use of and best practices for auto-enrolment, pensions tracking systems and pension dashboards that will set out best practices and lessons learned from across the EU and recommend the development of such tools.

The Commission will, by Q4 2025, review the existing EU framework for the PEPP (IORP too) with the aim of increasing participation in supplementary pensions to ensure adequate income in retirement and improving the capacity of pension funds to direct households' savings into productive and innovative investment.

At the time of writing this article, two providers are offering a PEPP, one in in Czechia, Croatia, Poland and Slovakia, and another one in Cyprus, according to the EIOPA central database that contains information on all PEPPs in Europe.



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■ BIPAR's position / key messages

BIPAR and its members were active on this file. BIPAR did not support in particular the cost cap for the basic PEPP and the inclusion of advice costs in the cap. We refer to earlier Annual Reports for more detail on the content of the Regulation and BIPAR's position on the different aspects.

■ Next steps

The Regulation stated that five years after the date of application (March 2027), and every five years thereafter, the Commission would have to carry out an **evaluation**, and after consulting EIOPA and the other ESAs where appropriate, present a **report** on the main findings (a report, amongst others, on the uptake of the basic PEPP and on whether advice provided to PEPP savers is adequate), accompanied, where appropriate, by a legislative proposal.

As indicated above, the Commission has now committed to reviewing the existing EU PEPP framework already by Q4 2025.

■ Links

- [Regulation on PEPP](#)
- [EIOPA's 2024 Staff Paper](#)
- [EIOPA's technical advice on pension dashboard \(2021\)](#)
- [Commission's Communication on a SIU](#)
- [EIOPA's PEPP central database](#)
- [EIOPA's Register of national laws, regulations and administrative provisions regarding PEPP](#)
- [EIOPA's FAQs on PEPP for professionals and for consumers](#)

