

## Focus on Funds: Europe Is Considering an Innovative Pension Account

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The European Union is putting together the framework for a pan-European personal pension (PEPP), offering EU savers a cross-border savings option that is portable and designed to complement traditional pension sources. Anna Driggs, ICI Global associate chief counsel for retirement policy, outlines what to expect in the December 7, 2018, edition of *Focus on Funds*.

### Transcript

**Stephanie Ortals-Tibbs, ICI director of media relations:** What would it mean for Europe and its citizens if they had access to a vehicle like the highly successful US individual retirement account [IRA]? Well, that's on the table in the European Union, and I got some recent insight on what's happening [and] what it could mean for both investors and the capital markets from ICI's global pensions expert, Anna Driggs.

**Anna Driggs, ICI Global associate chief counsel of retirement policy:** So, PEPP—that's the label—and it stands for pan-European personal pension product. It's an ambitious undertaking by the European Union policymakers that will be offered on a pan-European level as opposed to each national country level.

**Ortals-Tibbs:** So this is portable?

**Driggs:** Right. That's one of the key distinctions between this product and what already exists in Europe. So if you started in Germany and you move to Luxembourg, you can continue to contribute to this account without having to open a new account.

**Ortals-Tibbs:** This also gives pensioners of the future yet another resource when it comes to savings long-term.

**Driggs:** Yes, so the idea was for this product is to have an additional savings tool for individuals who may already have pensions coming to them from their national governments, or from their occupational pension systems. This is something that they can select to purchase and invest in as an additional mechanism for them to boost their savings.

**Ortals-Tibbs:** So say it is moving along, what are we watching for the most closely?

**Driggs:** If everything works [according] to plan, the process will be complete, or the agreement may be reached, by the end of the year, and the legislation may be complete by the time of the next European Parliament's elections in the spring. But the devil is in the details.

One issue we've been watching for our industry and for the retirement savers is what investment options will be available through this product. For example, the idea is that this product must have a default investment option, or the basic option as they refer to it in the Parliament's draft. And there is a lot of discussion as to whether these options would have to offer a capital guarantee. We are opposing this idea.

A person who wants to purchase a guarantee should be able to purchase a guarantee, but guarantees are expensive. They're not right for everyone. So we also are strongly supporting a lifecycle option.

**Ortbals-Tibbs:** So this is about obviously investor choice, but it also ultimately is about long-term investment into the European capital markets.

**Driggs:** Correct. I think it's very important to remember that the initiative itself is placed within the capital markets unit initiative. And policymakers kind of moved it forward in part because they looked at different markets—including the US [and] Australia—and they've concluded that developed retirement systems do contribute to robust capital markets.

## Additional Resources

- [ICI Global Praises European Advances on Pension Savings](#)
- [Innovative Pan-European Personal Pension Product Could Address Needs of Modern, Mobile Workforce](#)
- [ICI Research on Individual Retirement Accounts \(IRAs\)](#)