

Focus on Funds: New Personal Retirement Savings Accounts Are Coming to Europe

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The European Union has approved a framework for the pan-European personal pension (PEPP), offering EU savers a new complement to existing retirement savings resources. But its success may be determined by some important policy decisions on the horizon. In the June 21, 2019, edition of *Focus on Funds*, Anna Driggs, ICI Global associate chief counsel for global funds policy, outlines what to expect.

Transcript

Stephanie Ortvals-Tibbs, ICI director of media relations: The European Union has adopted an innovative new retirement savings tool. What do you need to know about the PEPP—the pan-European personal pension product? Here's a look.

Anna Driggs, ICI Global director and associate chief counsel, global funds policy: European policymakers reached an agreement on this project on this file, so in theory, the legal framework is in place going forward.

Ortvals-Tibbs: And so what are we looking at happening next? What are the next steps?

Driggs: Some of the action is shifting to EIOPA [European Insurance and Occupational Pensions Authority]—that's the pension regulator in Europe. And they will have to do some additional implementing steps and regulatory steps—so-called technical standards on a couple of issues.

Ortvals-Tibbs: Anna, as we know from the IRA [individual retirement account] and the 401(k), implementing steps and all those regulations are quite important in how something achieves liftoff. What are you going to be looking after carefully as EIOPA does pick up this work?

Driggs: The fee cap on the basic option and also the so-called risk-mitigation techniques on the investment options. Each PEPP has to come with a basic option. That's a requirement, so every single provider who steps into the space has to incorporate these requirements. And one of the requirements for the basic option is a fee requirement. The fee has to stop at 100 basis points.

It's important what will be included in this fee. For example, the PEPP has a mandatory advice requirement, so would advice be included in the 100 basis points? Would distribution costs be included in this? So we'll be working with EIOPA and contributing to their consultation, when it comes out, on what that means.

Ortbals-Tibbs: ESG [environmental, social, and governance] rules came into this in the end.

Driggs: Basically, what they're requiring is that providers have to consider sustainability factors in their investment decisions and their risk management systems as well. And on ESG, another requirement that is part of the law is that providers have to provide disclosure to investors on whether they took into account, and to what extent, ESG factors.

Ortbals-Tibbs: You've been working on this issue for years. How do you feel seeing it start to continue to get closer to reality?

Driggs: The fact that the regulators actually were able to finalize this legislation, put this forward, is [an extraordinary] accomplishment for Europe. That said, in practice, we have yet to see whether it becomes something that providers can actually offer, and people will actually buy.

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