	Comments Template on Consultation Paper on the creation of a standardised Pan-European Personal Pension product	**Deadline** **05 October 2015** **23:59 CET**
Name of Company:	**Bund der Versicherten e.V.** (BdV – German Association of Insured)	
Disclosure of comments:	Please indicate if your comments should be treated as confidential: public	Confidential/Public
	Please follow the following instructions for filling in the template: ⇨ Do **not** change the numbering in the column "reference"; if you change numbering, your comment cannot be processed by our IT tool ⇨ Leave the last column empty. ⇨ Please fill in your comment in the relevant row. If you have no comment on a paragraph or a cell, keep the row empty. ⇨ Our IT tool does not allow processing of comments which do not refer to the specific numbers below. **Please send the completed template, in Word Format, to CP-15-006@eiopa.europa.eu. Our IT tool does not allow processing of any other formats.** The numbering refers to the Consultation Paper on the the creation of a standardised Pan-European Personal Pension product (see Annex 3 of consultation paper)	
Reference	**Comment**	
General comment	We strongly support the European authorities initiative to create an PEPP. **A critical need** The need is critical and is increasing and will continue to increase as : -EU citizens live longer, -State-run pension systems delivers less and less benefits, -Occupational pension plans do not cover all citizens, switch more and more from DB to DC, passing on the investment and longevity risks to employees and former employees, -More and more EU citizens have fragmented professional lives, are more often employed by small enterprises, or are more self-employed and therefore less covered by occupational pension	

	plans where they exist. -Throughout their professional lives more and more EU citizens will change their places of residence not only in the same member state but by cross-border moves and/or migration from one state to another. **An unfilled need today** Today, there is no Pan-European personal pension product, and too little has been done since the 2007 EC Green Paper on retail financial services which already rightly identified the protection of pension savers as one of the most critical retail financial user protection issues. Current costs and charges are not properly and entirely disclosed and often too high overall, in order to provide a decent long term return, transparency, complexity, fragmentation The actuarial methods of the calculation of biometric risks (longevity and death risk) have to be standardized and fixed by the terms and conditions of the decumulation / pay-out phase at least. **The worst European consumer market** We would like to remind the EU Authorities that the European Commission’s Consumer Scoreboard repeatedly ranks pensions and investments as the worst consumer market of all in the whole EU. Therefore, it is critical that the PEPP design focusses first and foremost on regaining the trust of EU citizens as pension savers. The PEPP project is a one-time opportunity to address the most critical and so far unsolved issue for the standard of living of future European pensioners. And at the same time it may improve the long term financing of growth and jobs, the objective of the EC “Capital Market Union” initiative. This is why Better Finance recently asked EU Commissioner Hill to consider adding short term priorities focused on savers and individual investors to the EC “CMU” project. As of today none of the five short term CMU priorities announced by the EC are focused on savers and individual investors. Better Finance wrote to the EU Commissioner that if only one priority was added it should be the PEPP. We praise the EIOPA for pushing this PEPP initiative that we wholeheartedly support, although we may differ on specific options/features EIOPA has selected so far. In a nutshell, like EIOPA we are	

	for a PEPP that has a “KISS” (simple and short), low cost and performing default investment option, balanced with a bare minimum of constraints and bans. Otherwise it would fail to attract a lot of European citizens. "Trust is the word", as Gabriel Bernadino said at EIOPA conference on PEPPs on 7 September 2015 in Frankfurt. PEPPs are not only an investment product, for in some individual cases the duration of the pay-out phase may be as long as the contribution phase or even longer. In order to strengthen the trustworthyness of PEPPs, the pay-out phase ought to be taken into consideration as well.	
Question 1	There should be a passport regime similar to UCITS funds (UCITS IV Directive) the other Pan-European investment product, i.e. the PEPP must first be approved by a NCA, for passporting to other MS. From the Riester experience in Germany (more than 16 million contracts - the providers have to get a certificate before selling) we recommend a stand-alone autorisation or certification for the products to be sold. This product regulation should not only contain a formal recognition for cross-border sellings, but a substantial control of clauses and of options included in the contract (for the payment / contribution phase as well as for the decumulation / pay-out phase). We propose EIOPA for implementing this certification in order to emphasize that these are pension plans on EU level (beyond the offerings on the national level).	
Question 2	As a preliminary response, we believe EIOPA and the EU Authorities should eliminate any reference to a «2d Regime ». This wording is not intelligible for EU citizens, and it does not reflect reality, as it is not clear if a « 1st regime » already exists in all 28 Member States ? It is also confusing with the reference to a « 29th regime » (for example on page 5 of the CP). Specifically on question 2 : yes, depending on the decisions made on the following questions, in particular on : - the simplicity and the cost-effectiveness of the offerings; - the suitability, simplicity, and intelligbility of the default investment options ; - the user’ friendly switching options, especially when the PEPP delivers unexpected poor	

	performance; - the openess and flexibility on the eligibility of investments : Keep it Simple and Short (KISS principle), otherwise it will not earn the trust of EU citizens; - the actuarial methods of the calculation of biometric risks (longevity and death risk) have to be standardized and fixed by the terms and conditions of the pay-out phase at least; - EIOPA's draft guidelines for Product Oversight and Governance Arrangements (october 2014) and its Technical Advices on conflicts of interest (January 2015) and on product intervention powers (July 2015) are essential for a high minimum standard of consumer protection. There must not be any difference of the level of consumer protection between PEPPs and PRIIPs. We share the concerns that parts of the asset management industry are keen to maintain complex and opaque pension products, as these are often more profitable. We might go so far as to say that the level of simplicity and transparency of the PEPP embedded in a Regulation will be inversely proportional to firms' willingness to offer the product to the market. We propose that PEPPs should include these four basic principles : - The higher the accumulated capital by payments/contributions is, the higher the pay-outs have to be. - Any PEPPs must guarantee a life-long annuity as one of the decumulation / pay out options (cf. EIOPA's Fact Finding Report on Decumulation Phase Practices, October 2014). - At the end of the payment / contribution phase there has to be an open market decision for the consumer for choosing a provider for the pay-out phase. - There has to be an obligatory participation at risk benefits (related to longevity / death risk).	
Question 3	See our Q2 response about this unclear « 2nd regime » labeling. We understand that EIOPA's PEPP proposal does not address the decumulation phase issues. However, it is often challenging to disconnect decumulation phase issues from the accumulation phase ones. It is an issue in particular with the life cycle investment option (we refer to our replies	

to questions 4, 6 and 8).

So notwithstanding EIOPA's focus on the accumulation phase only, we believe that the EU Authorities should also establish EU-wide transparent, competitive and standardised retail annuities markets; and grant more freedom to pension savers to choose between annuities and withdrawals (but after enforcing a threshold for guaranteed life time retirement income) (cf. Better Finance Briefing Paper on CMU, 6 May 2015, p. 28).

A PEPP contract should be a contract with transparent contract clauses related to early withdrawal, exemption from payment of premiums; participation to benefits; and with several pay-out options (annuities or lump sum) (cf. Better Finance Response to the EC CMU consultation, 13 May 2015, p. 18).

In order to ensure a high minimum standard of consumer protection, the terms and conditions of the calculation of the annuity ought to be disclosed and fixed in an obligatory way at the moment of the contract subscription (mortality table, participation at risk benefits, fees for any changes of the contract etc.). Product regulation of PEPP must include this parameters.

It is very important to take into consideration that - related to pensions - guarantees can be given not only for the accumulation phase (like guarantee of repayment of gross premiums), but for the pay-out phase as well (i.e. minimum monthly amount of annuity). In this case, the insurers align their marketing on the « defined benefit » and even stronger on the surplus. That is why – related to annuity insurances - the « monetary illusion » is as dangerous during the pay-out phase as during the accumulation phase. It consists mainly in a misleading marketing, which emphasizes more the surplus than the minimum monthly amount. Surpluses are added during the entire pay-out phase, of course if there are any by the asset management of the insurer. Currently these surpluses have dramatically been reduced by the on-going low interest phase. Another source of risk benefits are current changes related to actuarial calculations (if death rates increase, longevity is shorter than anticipated, so pensions will have to paid only for a shorter period).

	National Governments interference especially in the tax regime will certainly be a key challenge to the success of the PEPP. We would like EIOPA to make at least a proposal for a recommendation for a unique tax regime related to PEPPs (accumulation phase / pay-out phase), which member states may adopt. Example: in Germany only the surplus or net return ("Ertragsanteil") of an annuity insurance is taxed. The rate of the tax depends on the age of the policyholder, when the pay-out phase begins (the elder you are, the less it is). At the age of 65 it is 18%.	
Question 4	No, it would not, but we strongly disagree with this example of a « 0% minimum return guarantee ». In the area of long term and pension savings, this is the most misleading « guarantee » that could be offered to EU citizens. Indeed, EU citizens have a low level of financial litteracy and are heavily subject to the « monetary illusion », i.e. to forget - or be unware of - the devastating impact of inflation over hte long term. This is how pension savers were ruined in the 1930s for example. Even in a low inflation environment (for how long ?), the impact of a 1 or 2% inflation rate after 40 years on the real value of pension savings (the purchasing power) is enormous (purchasing power reduced by 55 % for an annual 2% inflation average for example). And that is before tax, as pension income tax typically is based on nominal income not on real income, therefore only worsening the long term inflation impact. Furthermore, we believe providing a 0% minimum nominal return guarantee at retirement is very misleading, and this so-called « guarantee» has in reality very little value. Also It should then be provided on a net of charges and fees basis, including any entry and exit fees ; orherwise it would be even more misleading. This is why we strongly ask for an investment option (most preferably a default one) that guarantees a 0% minimum real return at retirement (i.e ; net of inflation) in order to protect EU citizens against the devastating monetary illusion. Related to life insurances the « 0% minimum return guarantee » is called « guarantee of repayment of premiums », which is not unusual. The reference parameter has to be – in that case – the gross premium. This kind of guarantee prevents insurers from making investments which are possibly more risky, but probably generate a higher return. Many life insurers do NOT exploit	

	the – permitted – limits of investments of shares or other more risky investment categories (instead of shares etc. they invest predominantly in European government bonds with very low interest rates ; cf. for example the Annual Report of German Federal Financial Supervisory Authority (BaFin) for 2014, p. 178-181). Western European insurers lowered their own risk equity assets from 22 % of their total assets in 2001 to only 8% in 2010, and that was way before the Solvency II Directive (cf. Better Finance CMU Briefing paper, page 6, April 2015). Additionally we strongly emphasize the importance of the research work by Professor Oskar Goecke (Cologne University of Applied Science, Institute for Insurance Studies) , in which he recently developed a new "return smoothing mechanism" for pensions saving schemes. This research work proves that neither a minimum return guarantee nor a life-cycling strategy are necessary, but there is a third solution for combining fair participation in the capital market returns and stable performance of pension savers assets (for more details, cf. our comment on Q 6). For this research work Prof. Goeke received in 2014 the Gauss Award, given by the two German associations of insurance mathematicians and actuaries (DGVFM and DAV ; research published in the journal: "Insurance: Mathematics and Economics", No. 53 (2013), p. 678 - 689, edited by Elsevier). Independent research shows that simply protecting the purchasing power of pension savings at retirement will make pension savers much better off than today in a lot of Member States. Therefore we fail to see any benefit to add a life cycling strategy with derisking to this simple, protective and intelligible option.	
Question 5	No. We agree that too much choice kills choice. And providers should be advised to limit the number of options being offered. But at least for advice-based PEPPs and for qualified pension savers (knowledge tested), providers should be free to offer as many investment options as they wish. We are not in favour of over regulation that will constraint pension savers too much and we refer to the time-tested success of the IRA (Individual Retirement Account) in the US, which bears none of such regulatroy constraints. In fact IRA holders can even isf they so wish invest directly in listed securities such as shares and bonds. This provides full flexibility for those who would wish to	

	do that and provides a level playing field for securities versus « packaged » (and more fee-loaden) products, such as investment funds or even more packaged products such as unit-linked insurance contracts (which bear at least two layers of fees instead of usually only one for investment funds and none for direct eauity investments). A limited number of options should be recommended but not imposed. To have a simple, intelligible, cost effective and performing default option matters much more. We are also opposed to ban direct investments in securities in a PEPP. The US very successful IRA does not ban it. A majority of PEPP providers will likely not offer this option anyway and a majority of pension savers would be strongly advised not to take it and should be subject like for all MiFID regulated savings products to suitability / appropriateness tests, and could go to this “execution only “ rules only if they are financially literate or have expressly recognised they are aware of the risks. This is also not consistent with the CMU initiative which aims at promoting and developing the role of capital markets in the EU economy. Why ban EU citizens from accessing those directly if they so wish? It will also generate more competition among providers who will likely be pushed to better show how they perform vis-à-vis capital markets. More generally, restrictions and bans on pension savers’ options are counter-productive in our view as they deter EU citizens to be attracted by the PEPP, and the issues beneath can be better addressed by the default option design and by Mifid like investor protection rules. Any investment options related to the payment / contribution phase should not endanger the necessary regulations of the pay-out phase (cf. our four basic principles of PEPPs expounded in Q2).	
Question 6	As we started to explain under Question 4, we favour a simple, intelligible and protective default investment option, as this feature is mostly aimed at the least financially litterate citizens. Therefore , we ask for a default option that guarantees a 0% minimum real return at retirement	

	(and certainly not a 0% minimum nominal return as explained under Question 4) : it is simple, intelligible and protective as currently too many pension products deliver negative real returns over the long term as research evidence demonstrates. It is also a realistic option considering the developments of financial innovation and – in particular – the development of the sovereign long term (30 year or more) inflation protected bonds markets, and also on the current projects around developing infrastructure investment markets, as infrastructure investment income typically provide inflation protection. The issue of investing in the decumulation phase must be addressed both in this default option and in the life cycle one as EU citizens have a longer life expectancy when they reach retirement age, often 20 years or more and increasing. We propose that annuities should also be inflation-protected in this default option. It may then be necessary to limit the switching options in that default option case. Also, only for this default option, it may be more protective for the least financially litterate and for the « weaker » (lower income persons) pension savers to allow only annuities as a decumulation option, provided they are competitive, i.e. PEPP holders will have the right to look for the best inflation protected annuity provider in the market at the time of retirement, or when switching (if allowed). We are not in favour of a life cycle default option for the following reasons : -As mentioned above it is not an option that is simple and intelligible for the majority of EU citizens. To start with, they most likely do not undertand the word itself. In particular it is much less understandable for the average pension than an inflation protected plan. EIOPA should consumer test such an option as we are concerned a large majority of EU citizens will not understand it. -We are very concerned that it is not as protective an option as the inflation protection one (0% minimum real return at retirement). Indeed even research published by the asset managment industry shows that life cycle investing strtaegies delivered poorer results than fixed allocation strategies for example . -The very diverging strategies and therefore returns among such products: Better Finance studied	

	US personal pensions life cycle products: at age 35: US leading providers allocate from 60 to 90 % equity (plus inside the equity part: from 40 to 53% foreign equity). The dispersion of returns will be very high. -Life cycle strategies are not adpated to the decumulation phase which can be very long. This is a major weakness of life cycle products that should not be overlooked. What time horizon: age 65 (retirement age) or age 92 like targeted in US personal pension life cycle products.: 0% equities at 65 if you convert your balance into annuities, or still 50% if one opts for capital withdrawals ? -Life cycle products are often not cheap in terms of costs and charges, in particular when they are executed through funds of funds which add a second layer of fees. They are likely to be more costly than than an inflaton protected plan. Independent research shows that next to asset allocation , the level of fees is the key driver for long term performance. At the very least EIOPA should then cap the overall fees for these life cycles products if used as the default option. Also, these negative returns are not only caused by poor investments during the accumulation phase, but by opaque and unfavorable tariffs calculations of the annuities as well. Life expectancy is mostly calculated higher than it is in reality. But the necessary « prudential calculation » can be overdone, and the monthly amount of pensions being paid out can be reduced dramatically (i.e. by changing the mortality table during the duration of the contract). The so called « risk benefits » are reimbursed to the policyholders only partially and with delay, as the case of Germany clearly shows. So even if the 0% minimum return is guaranteed, insurers still have a lot of possibilities to reduce their pay-outs. That is the reason why it is so important to make a clear distinction between the decumulation phase of any assets of securities and the pay-out phase of an annuity insurance. The former depends on the current developments of the financial markets the latter depends mainly on tariff calculations by the insurers (only the surplus depends on the current developments of the stock markets). Related to an annuity insurance there is no « asset decumulation », because the capital (resulting from the premiums) still belongs entirely to the insurer. Therefore the insurer guarantees a life-long annuity.	

	In order to ensure a high minimum standard of consumer protection, the terms and conditions of the calculation of the annuity ought to be disclosed and fixed in an obligatory way at the moment of the contract conclusion (mortality table, participation at risk benefits, fees for any changes of the contract etc.). Product regulation of PEPP must include this parameters. The research work of Professor Oskar Goecke (cf. Q 4) proves that the proposal only of a traditional investment alternative, either a minimum return guarantee or a life-cycling strategy, is not sufficient. As Goecke explains: "Pension savers expect fair participation in the capital market returns and stable performance of their assets. However, high market returns can only be expected if the underlying assets of the pension fund are invested into risky assets which in turn generate volatile returns. Even if the ups and downs of the capital returns may level out in the long run, pension managers try to secure a stable (at least non-decreasing) performance of the individual pension accounts. If one wants to separate the performance of the individual pension accounts from the capital market returns one needs a ‘‘third party’’ who is serving as a buffer. (...) In this paper we introduce the concept of collective saving and discuss the advantage of intergenerational risk transfer. The model we investigate is closely related to models for with-profit business. The main difference is that we have no entity ‘‘insurance company’’ or ‘‘equity’’. We instead assume a self-administered pension fund with a pension manager solely working to the benefit of the savers/pensioners. " We recommend to take the results of this research work into consideration for the payment / contribution phase as well as for the decumulation / pay-out phase of PEPPs. European pension savers must be sure that the investment options offered by PEPPs are up-to-date, comprehensive and validated by science.	
Question 7	It depends on the complexity of the pension investment proposal. A simple default option could give less flexibility of switching. But we agree that the default investment option should be deisgned so as to require no advice even for the least financially litterate EU citizens, and that all other invesment options should be subject to MiFID like apprornpiateness / suitability tests. But this question is not relevant, if the provider offers a « classic » annuity insurance. In this case the capital assets are managed only by the insurer, which normally gives the guarantee of a minimum interest rate for the investment part of the premium. From the consumer perspective,	

	therefore it is essential to know, if these « classical » annuity insurances are compatible with the principles of PEPPs or not? If the suitability of these investment options are strongly emphasized by the future PEPP product regulation, then « classic » annuity insurances are – very probably - not compatible with PEPP principles. This should be clarified by EIOPA.	
Question 8	No, that would severely restrict the choice for pension savers and would be more complex to grasp. Additionally we refera gain to the research work by Professor Goecke, in which he recently developed a new "return smoothing mechanism" for pensions saving schemes. This research work would show that neither a minimum return guarantee nor a life-cycling strategy are necessary, but there is a third solution for combining fair participation in the capital market returns and stable performance of pension savers assets (for more details, cf. our comment on Q 6).	
Question 9	We are surprised about this question: why asking about a level playing field for the solvency regime alone ? What about then on the conduct of business rules regime ? In particular, MiFID (which covers securities, fund and banking structured investments) conduct of business rules are significantly more protective for pension savers than the conduct of business rules for insurance (IDD Directive) and for occupational pension (IORP Directive). Therefore, we would agree for a requirement for equivalent solvency rules for PEPPs with minimum return gaurantees ONLY if there is also a requirement for equivalent conduct of business and investor protection rules: if we want a level playing field then it must be for all critical areas, not only one.	
Question 10	We fully support this aim of the PEPP and wish to congratulate EIOPA for pointing out the need to outweigh inflation for the sake of future pensioners. Yes, pension savers should be allowed to buy a PEPP if the remaining duration of the product is short, e.g. only 5 years. First, we understand the question relates to the remaining accumulation time only. Decumulation phase will add another 20 years or more on average. More importantly, there is no reason to prevent pension savers from starting to save even at a late stage. Third, we	

	do not see why starting to save 5 years from retirement would make it more difficult to « maximise returns outweighing inflation ». Even short term savings products are already providing inflation protection (like for example the € 250 billion « Livret A » in France). In other words, it is not difficult to achieve a zero real return even before five years.	
Question 11	We refer to the European Commission's Consumer Scorecard : one of the key factors for investments and pensions to be ranked the worst consumer market of all is the difficulty of switching. One should not confuse long term with illiquid : see equity markets in 2008 : they remained the only liquid market although it is the most long term and risky listed security. More generally flexibility must be a driver of the PEPP design, otherwise too many restrictions and bans will kill the attractiveness of the product: - Switching must be allowed, balanced with penalties if it is too frequent or too soon - Same thing for transferring balances to other providers if one is found to be disappointing. - Borrowing against part of the PEPP balance should be allowed - Even early withdrawals (before retirement age) should be allowed in exceptional circumstances (disability, long unemployment, etc.) - Same thing for the minimum number of accumulation years and for the age at which to start paying out which should not be tied to the actual date of occupational retirement (like for example in the USA where anyone holding an IRA and also a DC occupational plan can start to withdraw at the age of 59,5 without any tax penalties). If the PEPP is an annuity insurance, any fees for any change in the contract (i.e. decrease or increase of premiums or even switch to a new provider) have to be disclosed and fixed at the moment of contract conclusion. Currently, if switching to a new life insurer, the capital accumulated hitherto by the consumer will considerably be reduced by additional commissions for the new insurer. Product regulation of PEPP must prevent this kind of consumer detriment.	
Question 12	See previous response. However this is by essence a product optimised for the long term so a minimum lock in period	

	with a penalty fee for withdrawing sooner could be considered. The level of the penalty fee should be commensurate with the cost incurred by the provider (there is a obviously a cost factor, as any early withdrawal will limit the provider's ability to maximise long term return for its clients). This fee should be also viewd as an incentive to tap on other shorter term savings first if any. Also, as already in place for some pension products in the EU and in the US, there should be a possiblity to borrow against one's individual holdings or acumulated rights, the loan being secured by part of the PEPP rights of the borrower.	
Question 13	Every 5 years seems reasonable and should not be subject to fees or penalities in that case. If switches/transfers are too frequent or too soon, then penalty fees could apply. But then, PEPP should allow borrowing against the PEPP balance if the PEPP holder asks for it.	
Question 14	Yes, this is crucial to pension savers for several reasons : -It will increase the readibility intelligibility of the PEPP as EU citizens will already be accustomed to the Key Information Document (KID) for other long term savings products such as investment funds and life insurance. -It will better enable comparability with other « substitutable » long term savings products that are subject to the PRIIPS KID disclosures, such as life cycle funds, of personal pension products that are insurance-regulated and with a surrender value.. -The principles and format of the PRIIPs KID are good : short, formatted and in plain English. One should not exaggerate the differences and particularities of the PEPP with regard to PRIIPs as other pension investment products are already subject to the PRIIPs Regulation (again : life cycle funds and certain insurance contracts, see above). One difference though with the investment risk disclosure in the UCITS KIID that ranks it from 1 to 7, seven being for pure equity products. Actually, PEPPs are very long term products and therefore investment risk cannot be measured using short term volatility as a tool. Rather than a scale (currently used for UCITS funds, one could imagine a matrix whre the invesmtent risk is also a function of the duration of the savings. In the long term equity investments typically become less volatile / less risky than bond investments.	
Question 15	Yes, this is important in order to attract younger citizens and to optimise distribution costs. Internet sales should follow the same basic rules as other distribution channels. Simple PEPP (especially when selecting the simple and cost effective default option should be bought without	

	the need of advice and of suitability tests. This should be a great benefit of the simple low cost and performing default investment option. Better Finance studied the US leaders in robot and hybrid robot/human advice for pension investments:this is still an emerging, but growing very fast market, mostly based on broad index funds and overall fees below 0;50 % (fund fees included). The more the distribution channels via the internet will expand, the more the importance of commissions as remuneration and incentive system will be reduced. If the consumer precisely chooses the default investment and pay-out options, sales via internet should be facilitated. If the consumer wishes additional options for the investment and/or pay-out phase, there should always be the possibility for asking for independent advice (cf. EIOPA Opinion on sales via the Internet of insurance and pension products, Frankfurt 28 January 2015).	
Question 16	Only online automated suitability tests, but not for the simple and cost effective default option. If no advice is given, the risk of early withdrawal by the consumer rises. The appropriateness test should include a mandatory hint to the exit costs as well as to the terms and conditions of the decumulation/pay-out phase. Usually early withdrawal implies high penalty fees, which lead to strong consumer detriment.	
Question 17	We approve EIOPA's proposals for the high level of standardization of the PEPP in these section. We underline particularly the importance of the analysis already elaborated in detail related to the Key Information Documents for PRIIPs. EIOPA's draft guidelines for Product Oversight and Governance Arrangements (october 2014) and its Technical Advices on conflicts of interest (January 2015) and on product intervention powers (July 2015) are essential for the delivery of « value for money ». There must not be any difference of the level of consumer protection between PEPPs and PRIIPs. Again we emphasize that « risk information » should not only include information during the accumulation phase (payments / premiums and their investment options), but should include the	

	pay-out phase (related to the « risks » of longevity and of death). This information has to be given at the pre-contractual stage. We fully approve EIOPA's proposal establishing the Average Net Return (ANR) as mesure of information on costs and charges : « …there is no direct correlation between fees charged and realised investment returns » (CP, p. 30). This is a strong argument against Reduction in Yield (RiY), a reference parameter for costs, which is very often used by life insurers. We propose the mandatory use of ANR for PEPPs as parameter for costs and charges (possibly in addition with the exact amount in Euros/Cents, as a lot of EU citizens do not understand data quantified in percentages). EU Authorities should also ensure maximum consistency between the PEPP cost disclosure approach with the one considered for the PRIIPs KID : the TCR (Total Cost ratio ; see the recent ESAs DP on PRIIPs disclosures). If not, once again, savers and consumers are likely to be confused when faced with choosing products for retirement savings (PEPPs – despite their qualities) will never be the only option).	
Question 18	We are surprised about this question : why asking about a level playing field for the solvency regime alone ? What about the suitability of any additional biometric risk cover for the consumer ? Will the minimum consumer protection standards be guaranteed by imposing obligatorily at least the rules for sale and advice of the new Insurance Distribution Directive IDD ? Notwithstanding there are only two biometric risk coverages we consider as compatible with PEPP: longevity and death risk. Related to longevity, the necessary terms and conditions for a minimum consumer protection level are pointed out in Q6. Related to death risk the terms and conditions for any beneficiary have clearly to be fixed in the contract (distinguishing the accumulation phase and the pay-out phase). If the policyholder dies during the accumulation phase, there should be at least a guarantee of repayment of premiums (« money back guarantee ») to another beneficiary (spouse, life partner, children, etc.). If the PEP is a pure indvidual DC product, then the entire accumulated balance should be handed over to the	

	designated beneficiary. If the policyholder dies only shortly after the beginning of the pay-out phase (i.e. after two or three years), there should be the possibility of including a clause for paying-out the annuity to another beneficiary for at least ten years. If this is not the case, the « big rest » of the individually accumulated capital will simply « disappear » in the capital assets of the insurer. This gain constitutes an actually important part of the risk benefits. We are opposed to any other additional biometric risk cover like incapacity due to injury, sickness or disability, which is usually offered. There is one main reason for this rejection : if the consumer cannot afford the premiums any longer and he wishes to cancel the contract, usually it is not possible to cancel only the annuity insurance and to continue the disability risk coverage solely. So, because of the contract cancellation, the consumer looses both risk coverages (annuity and disability) simultaneously. Secondly if an incapacity risk cover is combined with a life or annuity insurance, very often the insured sum for disability is too low. For the intermediary this too often represents only a « smart » possibility for increasing his commission for a more or less useless additional risk coverage.	
Question 19	How to ensure low cost options will be widely available as they are today in the USA (many "IRAs" – Individual Retirement Accounts – charge less than 0,50% total annual cost) ? Or leave it entirely to competition for a quite technical product that – unlike drugs and cars which are also quite technical products – will not be pre-approved ? There are already caps on personal pension products: stakeholder accounts in the UK for example: 1% after 10 years. A quite innovative one has been set by the Bulgarian Authorities: a 10% cap on positive gross returns. However, we are not for over-regulation including on prices. First, we believe the fee cap debate should be limited to the default option. Also, the default investment option should guarantee a minimum zero real return at retirement net of fees. There is no need for a fee cap there. However if EIOPA persists to have only so called "life cycle" products as the default option, then its overall fees and commissions should be strictly capped as too often life cycle products provide an opportunity for providers to charge non transparent multilayer and/or high fees. In the US the most competitive providers of personal pensions charge less than 0,50% overall per annum.	

	If the PEPP is an annuity insurance the reference parameter for all costs and charges should be the gross premium. Related to the contribution phase We propose a cap of 5% of the total sum of the gross premium for acquisition and administrative costs. Related to the pay-out phase, the cap of biometric costs for longevity and death risk should be fixed at 1,5% of the actual amount of the pension being paid out monthly, quaterly, annually etc. The calculation of biometric costs depends on mortality tables. In order to prevent life insurers from using unappriopriate assumptions of longevity and of death risk, there should be introduced a mandatory regime for the use of mortality tables established by EIOPA. This regime should lead to the reasonable and appriopriate assessment of mortality tables in cooperation with the NCAs, with professional associations of actuaries and with consumer organisations. Of course, within this regime the statistical differences among the Member States (as well as age, gender, social status etc.) should be taken into account. This single reference for mortality tables would also improve the comaprability between PEPPs for the consumer.	
Question 20	Yes (cf. our comment to Q1 : EIOPA as the competent European authority for the registration / certification of PEPPs).	